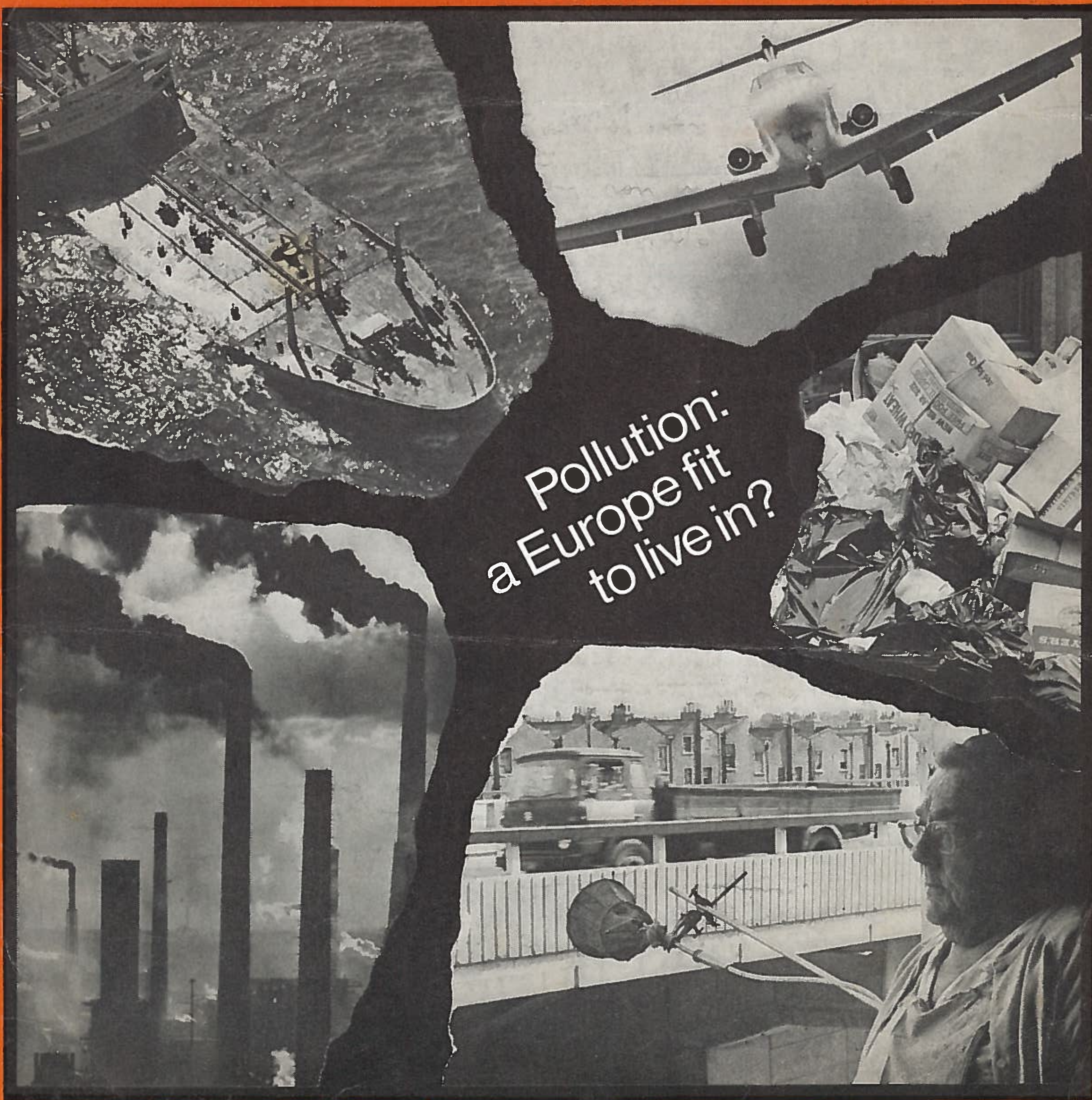
european community

9

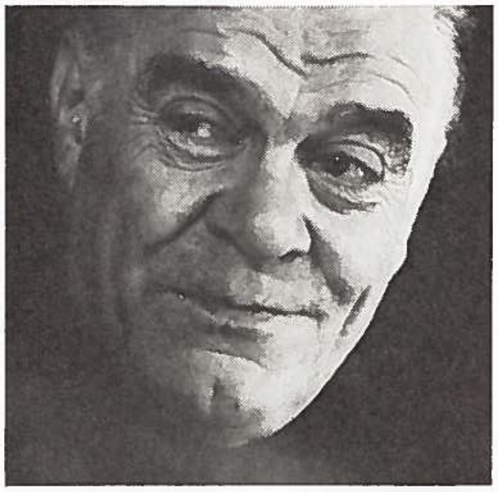
September 1971



european community

Number 9 September 1971

Contents



European Community is published by European Community Press and Information, 200 rue de la Loi, 1040 Brussels. London Office: 23 Chesham Street, SW1. Tel. 01-235 4904. Dublin Information Centre, 27 Merrion Square, 2. Tel. 66 22 3. The magazine is intended to give a concise view of current Community affairs and to stimulate discussion on European problems in general. It does not necessarily reflect the opinions of the European Community Institutions or of its editor.

Printed by Edwin Snell printers, Yeovil, England

European Community also appears in the following editions:
Communauté Européenne, 61 rue des Belles Feuilles, 75 Paris 16
Comunità Europee, Via Poli 29, 00187 Rome
Europäische Gemeinschaft, 53 Bonn, Zitelmannstrasse 11
Europese Gemeenschap, Alexander Gogelweg 22, The Hague
Comunidad Europea, 200 rue de la Loi, 1040 Brussels
Europaiki Koinotis, 200 rue de la Loi, 1040 Brussels
Avrupa Toplulugu, 200 rue de la Loi, 1040 Brussels
European Community, 2100 M Street NW, Washington DC 20037

Community reacts to dollar crisis

Community member states are this month continuing their efforts to hammer out a joint monetary position and to avert a serious trade upheaval following US President Richard Nixon's new economic policies. Members of both the Council of Ministers and the Commission interupted their vacation to hold emergency sessions after Mr Nixon on August 15 suspended convertibility of the dollar into gold, imposed a temporary ten per cent surcharge on imports of most manufactures, and announced tax measures to encourage US exports.

At a sixteen-hour meeting in Brussels on August 19-20, the Council of Ministers agreed to let member states choose between fixed and free rates *vis-à-vis* the dollar. As a result, Germany continued to let the mark float; the Italian lira fluctuated within wider margins; the Netherlands, Belgium and Luxembourg began to operate a joint controlled float as a single monetary bloc for capital transactions, while the rate for trade transactions was fixed (the "two-tier" system); and France introduced a similar system.

The Council said the US measures "clearly show the necessity for a reform of the international monetary system, involving the readjustment of parities which would appear to be necessary, to guarantee freedom of trade and international payments." Though they failed to reach a common line at the August meeting, the member states will try again at a meeting on September 13, so that they can act in concert at the crucial annual meeting of the International Monetary Fund, which opens in Washington on August 27. Meanwhile, the Monetary Committee and the Committee of Central Bank Governors are working on proposals which would lead to a gradual reduction in the margins within which Community currencies can float against one another. This move is essential if the common agricultural market is to function properly and if the member states are to carry out their plans for an economic and monetary union.

Since the international currency crisis last May, when Germany and the Netherlands floated their currencies, France and Germany have disagreed on the monetary steps the Community should take. When President Georges Pompidou visited Chancellor Willy Brandt in July no progress was made in reconciling the two countries' differences. Germany has been urging a realignment of the exchange rates of the Community currencies, a return to fixed parities within the Community, and a subsequent joint controlled float *vis-à-vis* the dollar (roughly, the present position of the Benelux countries). France, however, has opposed any internal alignment that involved an upward revaluation of the franc, which would weaken the competitive position of her exporters.

Germany, on the other hand, regarded as unnecessarily cumbersome the two-tier exchange system for transactions with non-member countries, though this scheme had the backing of the Commission and the Monetary Committee.

For Britain, a significant feature of the emergency meeting was that the Council kept in close contact with Anthony Barber, Chancellor of the Exchequer, who flew to Brussels for consultations with the Ministers.

Commission President Franco Maria Malfatti told Ministers that circumstances, and member states' commitment to create an economic and monetary union, called for common decisions. "Our defence of our interests as Europeans and the contribution we can make will be proportionate to our solidarity and the unity with which we act", he said.

Commission Vice-President Raymond Barre described the meeting of the Council of Ministers as "a failure". He said "The situation created by the United States' monetary decisions offered the member countries an outstanding opportunity to strengthen the cohesion of the Community and make substantial progress with the work of establishing the economic and monetary union, which was seriously set back by the monetary developments in May this year.

"The findings of the Monetary Committee and the Commission's proposals could have served as the basis for joint action which combined the approaches of the member states.

"But it proved impossible to surmount the differences in their views. For nothing is ever plain sailing in monetary matters, which affect states' most important interests.

"However, hope cannot be altogether lost that in the coming months the Community countries may, despite all the difficulties, succeed in reconciling their views and agreeing on a course of action which will preserve the operation of the Common Market and contribute to the establishment of a new international monetary system."

After its emergency meeting on August 17, the Commission stated that the economic, monetary and trade measures taken by the United States Government challenged the principles on which the international monetary system has been based up to now and which have promoted the development of trade. Certain measures would have a negative effect on international trade and could annul the results of the Kennedy Round. The Commission did not think that Community policies had created situations of "unfair competition" towards the United States or any other country. (This referred to President Nixon's remark that the ten per cent surtax on imports into the United States was to eliminate the "unfair edge" held by foreign competition.

Addressing a meeting in Geneva on August 24 of the Council of GATT (General Agreement on Tariffs and Trade), Commission member Ralf Dahrendorf, on behalf of the Community, criticized the US measures to reduce its balance-of-payments deficit. He rejected US arguments that the US deficit was due to her partners pursuing unfair trade policies, and said the surcharge infringed GATT rules. The Community did not accept that removal of the surcharge should be dependent on America's trade partners revaluing their currencies. (President Nixon said he would end the surtax when "unfair exchange rates" were ended.) Herr Dahrendorf stated that the Community, while anxious to avoid a trade war, reserved its rights under GATT principles to take counter measures. The Community spokesman made his statement after conferring with representatives of Britain, Ireland, Denmark and Norway. An *ad hoc* group is due to report this month to the GATT Council on the US surtax.

Since the beginning of the Common Market in 1958, trade between the United States and the Common Market has tripled. Community imports from the United States have risen from \$6·3 billion in 1968 to \$9 billion in 1970. Community exports to the United States have risen from \$5·7 billion in 1968 to \$6·5 billion in 1970.

The Community since 1958 has consistently recorded a heavy balance of trade deficit with the United States (averaging some \$2 billion per year).

More than 80 per cent of the \$6·5 billion in Community exports are affected by the surtax. Among the sectors particularly affected are: automobiles, chemicals, machinery, steel, shoes and food.

MPs debate White Paper

In a four-day Commons debate opened by the Prime Minister on the Government's White Paper recommending entry into the European Community, M.P.s expressed a wide range of views, extending from enthusiastic support for entry, to outright hostility. While Government spokesmen were solidly committed to joining, as were some of the Labour leaders, Opposition Leader Harold Wilson was doubtful and it seemed clear from a number of speeches in the middle of the spectrum that opinion in the House was still relatively fluid. But while hesitating to make exact predictions, most political commentators expected that when the decisive vote was taken at the end of October, the Government would obtain an adequate majority in favour of entry.

79 M.P.s took part in the July 21-26 debate, which was the longest the House has so far had on entry into Europe. It was clear at the end of the debate that even more would have spoken if there had been time. As with the similar debate in February 1970 (see *European Community*, April 1970), the House was simply asked to "take note" of the White Paper and there was no vote at the end of the debate.

Government's firm commitment

Government speakers were solidly united in their support of their White Paper, adopting its arguments in favour of entry on the terms negotiated. Jeremy Thorpe, the Liberal Leader, was also strongly in favour of entry. Front-bench Labour speakers had agreed to differ, emphasizing that they were expressing their own personal views. Labour Leader Harold Wilson was not against entry in principle but thought the terms not good enough. Fred Peart and Michael Foot were against joining. Anthony Wedgwood Benn and Denis Healey wanted a general election before any final commitment was made. Labour's Deputy Leader Roy Jenkins and the party's front-bench spokesman on European affairs Harold Lever strongly supported entry and found the terms acceptable.

Opening the debate Prime Minister **Edward Heath** said that the larger market would give European industry and science a chance to catch up the achievements of the United States and the Soviet Union. That in turn would enable Britain and its future partners not only to add to their internal prosperity but to help the developing countries more effectively. Together, European countries could make a real contribution, beyond the capacity of any of them alone, towards the solution of world problems which are Europe's concern, thought Mr Heath. The entry terms were fair and the special problems of New Zealand and Commonwealth sugar had been solved to the satisfaction of the countries concerned. As for problems that might arise in the future, the Prime Minister thought that the Community's record over twelve years had shown that it had both the institutions and the will to deal with them effectively and responsibly. In relation to the world as a whole and particularly the developing countries Mr Heath said "we are now entering a phase of rapid movement in world affairs which promises opportunities for statesmanship which, if rightly taken, could break down many of the barriers which we have come to take for granted in our modern world. This is certainly the view of the President of France and the President of the United States. I believe that we in Britain will be far better placed to take our share of these opportunities once we are a member of the European Community." One of these opportunities would be a chance to reach an accommodation with East Europe, the Prime Minister thought.

Sovereignty

The Foreign Secretary **Sir Alec Douglas Home** argued that British sovereignty would gain more than it would lose through being shared with others. There was no absolute doctrine of sovereignty, said Sir Alec, "Sovereignty is concerned with the reality of power and influence". As for the Commonwealth, it "never has been, and never can be, an economic *bloc*", nor was it a military alliance. "Our heart and our purpose are large enough to embrace Commonwealth interests and membership of the Community and that they are complementary to each other." From his experience as Foreign Secretary Sir Alec said he found it "an almost intolerable handicap to this country that we should have to run our foreign policy as we do because we are working on an economic shoestring. When we are considering Britain's economic and trading interests, it is not without significance that the European Economic Community negotiated the Kennedy Round of tariff reductions. It took an economic unit of that strength to win that prize."

John Davies, Minister for Trade and Industry, pointed out that the Community has not so far evolved a regional policy and this was the reason why there was little in the White Paper on the subject. There was little or nothing to negotiate in terms of regional policy. The Commission's recent document on the subject had yet to be discussed by the Council of Ministers and would be discussed with the applicants for membership as well. But Mr Davies found himself "not at all unfriendly" to what he thought was the Commission document's main object, the prevention of progressive and competitive bidding up between countries on regional policy incentives.

The Minister of Agriculture, **James Prior,** said that over the transitional period as a whole food price rises were likely to be no more than about $2\frac{1}{2}$p in the pound spread over some six years. Entry would benefit British farmers, he thought, and in his opinion they would by the end of the transitional period expand production by more than the eight per cent estimated in the White Paper. This would help with any balance-of-payments difficulties.

Economic benefits

The Chancellor of the Exchequer, **Anthony Barber,** argued that everything pointed to a strong connection between the existence of the Community and the economic success of its members, even though this could not be strictly proved. Britain could certainly expect a similar boost to her economy that would more than enable us to meet both the balance-of-payments costs and any likely rise in the cost of living. The expected rise in food costs would put about half a new penny in the pound on the cost of living. But removal of tariffs would exert a downward pressure on the prices of manufactured consumer goods, so the overall rise in the cost of living would be less than that.

Liberal Leader **Jeremy Thorpe** strongly supported entry, but criticized the White Paper for being "very thin on the question of regionalism". Indeed, said Mr Thorpe, "it does less than justice to the regional development which has taken place within the Six."

The Community's decision to go ahead with generalized preferences for the developing countries had rightly been welcomed by U Thant as a major breakthrough – "not, I should have thought, the action of a narrow, inward-looking

Community", said Mr Thorpe. The European Development Fund's activities pointed the same way. The Liberal Leader said he wanted to see direct elections to a European Parliament and the creation of a monetary union by 1980.

Three main issues

The case against entry centred on three main issues – the economic cost of entry, regional policy, and sovereignty. Doubts were also expressed on the effect on the Commonwealth.

Opposition Leader **Harold Wilson** was not in principle against joining but said he had always made it clear that whether Britain should join would in the end depend on the terms that were offered. The terms negotiated by the Government were not satisfactory, Mr Wilson suggested. According to a large number of newspaper reports, the balance-of-payments cost by 1978 had been estimated in Whitehall at £500 million a year. This was too much, and the Government had suppressed it, Mr Wilson suspected. There was simply not enough information in the White Paper to enable the House to judge what the economic costs were likely to be. He himself would certainly have insisted on better terms for New Zealand and the Commonwealth sugar producing countries. Mr Wilson said there was growing concern about regional policy and he asked a number of specific questions on the subject. How much of Britain would be designated by the Commission as "central" for purposes of regional aid and therefore subject to restriction on the amount of aid that could be given? What would be the Community's position on regional employment premiums, the wide range of new incentives in special development areas, and aid to shipbuilding? How far would the ECSC rules prohibit the use of development area and other regional policies in the steel and coal industries? Could the British Steel Corporation's investment programme be assisted by investment grants? Would the Highlands and Islands Development Board be acceptable "to the free-market Eurocrats in Brussels"? Mr Wilson wanted to know. Many M.P.s were anxious that "The very fact of joining the Market will exert an inexorable pull away from existing centres of industry in Britain to the areas close to the Channel and the ports serving the southern parts of the North Sea and that to meet that much stronger powers to assist regional development will be needed, even than those which we have had in the past."

"Britain is likely to be at least as strong, as vigorous, as prosperous, as influential outside the Market as it would be if we were to enter the Market on the wrong terms" Mr Wilson concluded.

Former minister **Douglas Jay** (Labour) put forward a series of calculations to show that the balance-of-payments cost by 1978 would be running at £1,000 million a year. **Michael Foot** (Labour) was concerned about loss of sovereignty and said that the economic pressures resulting from entry would make regional development harder. **Mrs Renee Short, Eric Heffer** and **Alfred Morris** were among Labour back-benchers who thought that the Community was dominated by "reactionary forces" that would inhibit the policies they favoured. They also found the common farm policy completely unacceptable. Mrs Short thought that the Community had little real interest in helping the developing countries, that the associated countries were disillusioned and that there was small hope of Commonwealth developing countries obtaining a fair deal. **Michael Clark Hutchison** (Labour) described the Rome Treaty as authoritarian and contrary to British traditions. **Peter Shore** (Labour), a former minister, thought the terms represented a British surrender to France.

From the Conservative side there were also some objections to the common farm policy and "dear food" but Conservative anti-Marketeers were rather more concerned with the issue of sovereignty and the need for an "Open seas" policy under which Britain would remain outside the Community and feel able to trade as and where it could find a market. Conservatives who spoke along these lines included **Neil Marten, Anthony Fell, Richard Body** and **Sir Derek Walker-Smith.** Mr Marten made much of an argument put forward on other occasions by Mr Enoch Powell that the Community would logically and inevitably develop into a monolithic centralized superstate within which British independence and the sovereignty of the British Parliament would be dissolved. Mr Powell himself did not speak.

Expansion

Among Conservative back-benchers who strongly favoured entry **Dame Joan Vickers** said that entry would help her constituency in the South-West region since a number of leading local firms were confident that they could expand and employ more people. **Kenneth Clarke** said that the future developments planned by the Community would make it even more important that Britain should not be left out. There would be a steady removal of the non-tariff barriers to trade, besides the movement towards monetary and economic union. **Norman St. John-Stevas** said that if Britain were now, through a failure of nerve, to fumble and falter at the gates of Europe, it would be the end of Britain's influence as a leading power in the world.

Export performance

Labour's pro-Marketeers were given a strong lead by **Roy Jenkins,** the party's Deputy Leader, who gave figures to show that the export performance of the Six had been superior and suggested that Britain could expect after entry to show similar results. He thought the Government should pay much more attention to the regional policy issue, but did not think there was anything in the "sovereignty" argument. Taking one example from his own experience as Chancellor of the Exchequer Mr Jenkins said that he had found that in practice on its own Britain could do little to influence monetary decisions of the Group of Ten that were tremendously important to the living standards of the British people. The Six had great influence because they adopted a common front. While the Six met in private, all the British Chancellor could do was to make polite conversation with the U.S. Secretary of the Treasury. That was all right with the Americans because they knew they could live with whatever the Six decided. It was not necessarily all right with the United Kingdom.

Among pro-Market speeches from the Labour back-benches **John Mackintosh** strongly defended the necessity for the common farm policy, saying it was designed to let a weak, elderly and defenceless section of Europe's people down lightly in their declining years. What was wrong with that? **Edmund Dell** said that the Community was not inspired by "laissez-faire" as some British socialists thought. On the contrary, it was interventionist. **Dick Taverne** spoke of the advantages that could be gained from monetary and economic union, provided that proper regional policies accompanied it. **Sir Geoffrey de Freitas** said that if the Four joined the Six, the Socialist Group in the European Parliament would be the largest and could ensure that the Community would not be inward-looking. But he was worried about how British M.P.s, harder worked, in his opinion, than their colleagues in the Six, could find time to be members of the European Parliament as well. More thought should be given to these problems, and to the question of direct elections to the European Parliament.

The debate was wound up by **Reginald Maudling,** Home Secretary, who summed up his own position by saying that while he was not a "whole hogger", there would be better opportunities, both economically and politically, and greater danger outside the Community.

"Let us remember" said Mr Maudling, "that a decision to stay out is just as big a decision to go in. So often in politics and in economic management a decision to do nothing at all may be the most reckless decision of all."

Further progress in UK negotiations

Two final issues were settled on 12 July in the negotiations with Britain; on the same day the negotiations with Ireland and Denmark were virtually completed.

UK accepts rules on capital movements, common commercial policy

Britain accepted to apply from date of entry the two Community directives in force on capital movements. It was agreed that the following restrictions could be maintained:

- for up to two years on direct investment in the Community by British residents;
- for up to two and a half years on the transfer of capital by UK residents who have emigrated;
- for up to five years on stock-exchange operations in foreign shares by UK residents.

Agreement was also reached on certain details of Britain's implementation of the Common Commercial Policy during the transitional period.

Fisheries

Mr Geoffrey Rippon proposed a status quo solution for the problem of fisheries with a view to a revision of the present policy to meet the needs of the new Community after enlargement. The Community, while unable to accept this proposal, took note of it. A detailed standpoint will be elaborated for the next negotiating round at ministerial level on 21 September.

12-year transition for Ireland's car industry

Dr Hillery welcomed the EEC's readiness to modify its fisheries policy. The main problem settled was the Irish request for a special regime of protection for the Irish car assembly industry. The Community offer of a seven-year regime to 1980 was not accepted by Ireland and agreement was reached on a twelve-year regime running to 1985.

The Irish delegation emphasized its concerns about regional policy; it asked the Community to use all means possible to support the national regional programmes and to take account of Irish problems in formulating policy. Discussions will continue at deputy level.

Danish accord on farming

While Nyboe Andersson said that all the main problems had been solved, a number of relatively small problems were discussed at this short meeting. Denmark formally accepted the five-year transitional period for agriculture and agreement in principle was reached on special measures regarding capital movements (some technical points remain to be settled). Nyboe Andersson emphasized Denmark's desire for a satisfactory solution for the six EFTA non-candidate countries. Apart from the need to avoid re-establishing tariff barriers he spoke of the need to examine possibilities of allowing these countries to participate in other activities of interest to them.

Norway's fisheries still on agenda

At the short negotiating session at ministerial level on 27 July, Norway accepted Community proposals for transitional measures on capital movements. Norway will be able to maintain restrictions, usually for up to two years, on four categories of capital movement. Norway will also be able to take its own anti-dumping measures against third countries during a five-year period. The main problems still to be solved are Norway's agriculture and fisheries.

Applicant countries to be consulted

On the invitation of the Council the Commission has decided to inform and consult all the applicant countries during the period preceding accession to membership. The Commission will bring all proposals and communications which might lead to a Ministerial decision to the attention of the applicant countries after having transmitted them to the Council. Before doing so the Commission will have assembled all the information needed to assess the impact of the proposals on the enlarged Community. And in order to ensure that its own decisions take due account of the interests of the candidate countries the Commission will consult them before adopting any decision likely to affect them as future members of the Community. It is probable that this arrangement will take effect at the conclusion of each set of negotiations.

Council favours free trade with non-candidates

The Council discussed at its meeting on 26-27 July the enlarged Community's relations with the EFTA countries not candidate for membership. It favours the second proposal put forward in the Commission's opinion to the Council of 17 June, namely free trade for industrial products. It confirmed, however, that the Community's autonomy of decision-taking, the effectiveness of its functioning and the outlook for its development should be safeguarded. The Council considers that the eventual arrangements with these countries should enter into force concurrently with the enlargement. The detailed aspects of the solution envisaged are to be examined by the Committee of Permanent Representatives.

Negotiations with Japan interrupted

Negotiations between the Community and Japan for a trade agreement were suspended on 8 July, after two and a half days' talks. It is hoped that they will be resumed in October. The sticking point was the failure to find a formula agreeable to the two parties on a safeguard clause. In particular, the Community delegation was concerned that such a clause should be in harmony with the common commercial policy by being valid for the same products in the whole Community area.

Trade agreement with Lebanon extended

The trade and technical cooperation agreement between the Community and the member states, and the Republic of Lebanon has been extended, following its expiry on 30 June, for one year.

Commission proposes customs union with Cyprus

The Commission has proposed to the Council that negotiations should be opened with Cyprus aiming at a customs union. The union should be completed after two stages of five years. Cyprus has applied for association with the Community.

Interim accord with Turkey

An Interim Agreement for the reciprocal development of trade, to run until the commercial provisions of the Additional Protocol of 23 November, 1970, come into force (at the latest at end-September 1972), was signed on 27 July. This was the main outcome of the 16th meeting of the EEC-Turkey Association Council. The Agreement was signed by Mr Osman Olcay, Turkish Minister of Foreign Affairs (who presided), Mr Aldo Moro, Italian Foreign Minister and President of the Council of Ministers, and Mr F. M. Malfatti, President of the Commission.

The Interim Agreement is intended to tide over the one year or so needed for parliamentary ratification of the Additional Protocol. From 1 September, 1971, Turkish exports of industrial products will enjoy duty and quota free entry to the Community. There will, however, be a zero duty Community quota of 200,000 tons for petroleum products, while for three textile products (machine-woven carpets, cotton yarn and other cotton fabrics) the EEC duty will only be 25 per cent; this concession will be supplemented by additional tariff quotas for yarn and cotton fabrics. As for agriculture, the Community will grant concessions covering almost all products as provided for in the Additional Protocol. (The main products are tobacco, hazelnuts, dried figs and grapes, citrus fruit and certain other fruits, olive oil, durum wheat, rye, and vegetables).

Turkey will grant the Community a tariff reduction of 10 per cent on industrial goods, though of 5 per cent for products scheduled for tariff dismantling over 22 years.

Other matters discussed at this meeting were the implementation by the Community of generalized preferences and the implication for Turkey of the enlargement of the Community. On the former Turkey expressed the wish to be included on the Community's list of beneficiaries; and noted the expressed aim of the Community to hasten the international deliberation on which countries should benefit from generalized preferences. The Community's delegation also stressed the advantages for Turkey of the Interim Agreement arrangements.

On the second, in reply to the anxieties expressed by Turkey, the Community's delegation said that the Commission had been in contact with both the applicant countries and the Associated States (notably Turkey) and would be transmitting a communication to the Council on the implication of the enlargement for the Associates.

Steel rationalization authorized

The Commission on 27 July authorized four German steel "rationalization groups" to replace retroactively to 1 July the four sales agencies which had been authorized by the High Authority in March 1967. The initial agreement was turned down as it was found to conflict with the competition of the ECSC Treaty, *inter alia* in providing for production quotas and uniform sales conditions. The four groups, whose main aim is production specialization, cover almost all German steel producers, and essentially correspond to the rolled steel sales agencies West, Westfalen, Nord and Süd, whose authorizations expired on 30 June. The new "rationalization groups" are as follows:

(1) West: Thyssen, Krupp, Ibach, Laucherthal, Rötzel and Wupperman. Mannesmann and Ohler Eisenwerk will no longer be making finished products and are therefore not members of the group. The enterprises and plants in which Otto Wolff and ARBED have holdings have transferred from West to Süd, which already included some of their plants.

(2) Westfalen: Hoesch, Rheinstahl, Witten and Siegener AG. Some smaller producers have dropped out, having either ceased production of rolled steel or undergone concentration with other firms.

(3) Nord: Klöckner, Maxhütte and Peine-Salzgitter. Maxhütte was not affiliated to any of the agencies.

(4) Süd: Dillingen, the enterprises concentrated with ARBED and Otto Wolff, and Schwäbische Hüttenwerke.

Instead of joint sales, the new groups will sell their products independently and publish their own price lists.

Higher Community oil stocks?

The Commission has proposed that the Six should increase their minimum oil stocks from 65 days to 90 days' consumption. In December 1968, on a proposal from the Commission, the Council of Ministers adopted a directive obliging the member states to keep stocks of the main oil products, such as petrol, diesel oil and fuel oil, to cover their requirements in the event of shortages until any necessary action should be taken.

The minimum stock of 65 days' supply previously stipulated is now, however, no longer considered adequate to meet a supply crisis. In recent years fundamental changes have taken place in various aspects of the pattern of Community oil supply, particularly in that virtually no more reserve production capacity exists in the Western Hemisphere and that the available reserve transport capacity has dwindled considerably. The Commission is accordingly proposing to the Council that an amendment be made to the 1968 reserve stocks directive and that the level of stocks be increased to what was consumed in 90 days of the previous calendar year. The new stocks are to be built up as soon as possible after the directive in question comes into force, and in any case by 1 January, 1975, at the latest.

Farm grants of $52m approved

The Commission of the European Communities has granted assistance totalling $52,242,337 for 182 schemes for the second 1970 instalment of credits from the Guidance Section of the European Agricultural Fund.

The assistance given is broken down as follows:

	$	number of schemes
Belgium	14,684,157	50
France	3,979,261	15
Germany	11,662,006	33
Italy	17,780,465	69
Netherlands	4,136,448	15
	52,242,337	182

Of these schemes 87 are concerned with improving the structure of production and make up $23,141,224, or 44 per cent of the total: 88 schemes to improve marketing structures were granted $26,184,503, or 50 per cent of the total, and seven mixed schemes received $2,916,610, or 5·6 per cent of the total.

The funds at the disposal of the Guidance Section of the European Agricultural Fund amount to $285 million for 1970. However, only $160 million have been set aside for the financing of individual schemes. It is planned to make this money available in three instalments: the first instalment ($52,356,670 for 148 schemes) was granted in March of this year and the third and final one will be decided upon during the last quarter of 1971.

Higher oil prices favour natural gas, nuclear energy

The era of cheap oil is over, according to a Commission report on the Community's energy market. The Teheran and Tripoli five-year agreements negotiated earlier this year between the oil companies and the producing countries, and the rise in freight rates in 1970, have boosted prices of major petroleum products in the Community. By comparison with the end of 1969, the trend is:

- Heavy fuel-oil prices to the consumer (tax included) have doubled in Belgium and the Netherlands and have increased by about 60 per cent in France, 40 per cent in Germany and 20 per cent in Italy.
- Domestic fuel oil prices have risen more moderately; the increases are about one-third of the price to the consumer in France and Belgium, nearly half in Italy and Germany, and three-quarters in the Netherlands. Present prices of domestic fuel oil differ less from country to country than those of heavy fuel oil.
- Petrol price increases have come later and are relatively smaller than fuel oils. For "regular" grade, the increases, tax included, are about 3 per cent in France and Belgium, 7 per cent in Germany, 13 per cent in the Netherlands and 16 per cent in Italy. For "super", the increases are generally about the same.

Petrol prices at the pump (p per gallon of "super" grade)

	Before tax	Tax included
Belgium		
Nov. 1969	11	35
March 1971	11	37
France		
Nov. 1969	11	39
March 1971	12	41
Germany		
Nov. 1969	11	31
March 1971	12	34
Italy		
Nov. 1969	11	42
March 1971	11	49
Netherlands		
Nov. 1969	9	29
March 1971	11	35

Price rises will not be felt equally by all consumers, the Commission says. They will have the heaviest impact on energy-intensive industries (e.g. electric power stations, chemical and glass manufacturing). This increase in the cost of energy should not distort competition in the Common Market if it is applied fairly uniformly throughout the member states. But the competitiveness of certain Community industries could be reduced relative to that of non-Community countries which have their own energy sources and are less affected by the world rise in crude oil prices (e.g. the USA, Canada, USSR). However, prices of indigenous energy in these countries are rising, one example being natural gas in the USA. The recent rises in the price of energy should, moreover, be seen as only one aspect of the general price movement which characterizes the present inflationary period, the Commission states.

The competitive position of coal mined in the Community will probably remain unchanged, according to the report. But there could be new prospects for imported coal for heating. The position of natural gas, which is already favourable, will improve further as a consequence of the increased cost of fuel oil. Present trends also favour a resumption of the Community's nuclear power-plant construction programmes.

EEC, Latin America confer

The Community and 22 Latin American states agreed on June 18 to set up machinery for a "permanent dialogue" between the two blocs as a means of strengthening their political and economic relations.

Regular contacts will take place between the Community and the special Latin American Co-ordination Committee (CECLA) which groups 22 Latin American states. Meetings at ambassador level will be held at least once a year, and meetings at expert level to study specific problems will be held whenever the need arises. A full-scale ministerial meeting will be held when opportune. In their "Buenos Aires Declaration" of July 1970 the Latin American countries called for greater cooperation with Europe.

The two sides intend to use the cooperation procedure to find solutions to trade problems. They will also seek non-preferential arrangements aimed at increasing and diversifying their trade without prejudice to the advantages accorded by the Community in the context of generalized preferences.

The Community and Latin America aim at developing their relations without superseding bilateral contacts between the Six and individual Latin American countries.

Air hostess's pension not a salary

The Community Court of Justice has issued a preliminary ruling that a Sabena air hostess's pension should not be regarded as equivalent to a salary.

Miss Gabrielle Defrenne claimed that Sabena infringed the Rome Treaty rule that men and women should receive equal pay for equal work. Sabena compulsorily retires air hostesses, but not male stewards, when they reach their 40th birthday. At the request of the Belgian supreme court, the Community Court had to decide whether a social security pension constituted an indirect form of pay.

The Court's ruling runs counter to the views of Belgian trade unions, who maintain that pensions are a deferred salary. The Court did not express an opinion on the compulsory retirement of stewardesses, but not stewards, at the age of 40.

Plan for EEC job-training policy

A Community-level policy for occupational training is being prepared by the Standing Committee on Employment. The Committee, set up in 1970, brings together experts from member governments, the Commission, trade unions and employers' organizations.

The Committee has agreed on guidelines for action, which will be proposed to the Council of Ministers and the Commission. These are based on a memorandum prepared by the Council secretariat, which urges action to overcome the shortage of skilled workers, increase the number of executive-level staff, and train more underprivileged people.

A Community policy would complement national schemes and would lay stress on:

- occupational training and retraining of adults, and not merely the training of young workers;
- harmonization of training levels;
- comparison of national methods and new techniques;
- the training of instructors.

UK and technical standards

Even as a non-member, Britain has become involved in the Community's efforts to harmonize technical standards in industry. At present thousands of national regulations lay down differing manufacturing standards for characteristics and performance, and different ways of proving that products conform to the regulations. These regulations are normally intended to protect the public or industrial consumer's safety, health or welfare.

Like other non-tariff barriers, these measures, if disparate, mean that a firm may have to make several variations of basically the same products in order to meet their varying requirements. Such regulations therefore hamper trade, and their effects have assumed greater importance as tariffs have been dismantled on trade between the Six and reduced in world trade.

A recent analysis by the Confederation of British Industry – *Mandatory standards and approval procedures* – notes that the European Free Trade Association (EFTA), of which Britain is a member, has already accepted certain basic principles of the Community's 1969 general programme to harmonize standards. In any case, once the Six have adopted a particular Commission proposal for harmonization, firms in member and non-member states must respect the rules if they wish to market their products in the Community.

The Community's programme covers industrial products, food and drink, pharmaceuticals, and packaging; in general it has the support of industrial and trade associations. It is being carried out under Article 100 of the Rome Treaty, which authorizes the Council, on a Commission proposal, to issue directives to align national laws and regulations which affect the operation of the Common Market. Where such action involves amendment of national legislation, the European Parliament and the Economic and Social Committee must be consulted.

If Britain joined the Community, British industry would be in a position to benefit in the same way as other member countries from the harmonization work carried out before her entry. In addition, British industry would be able to participate fully in all future work and, as the harmonization programme is still in its early stages, Britain would have her say when major decisions were taken.

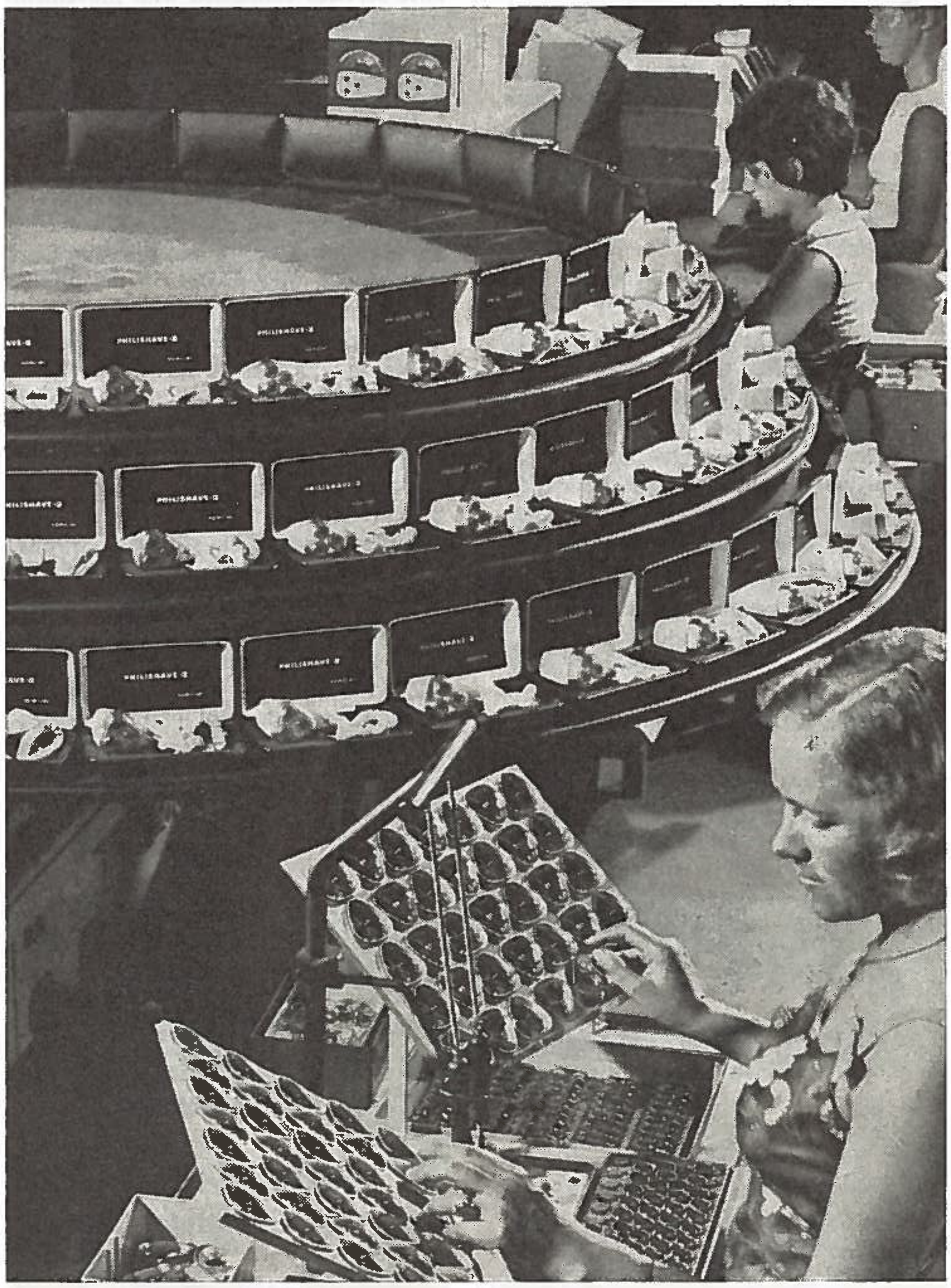
Under the Rome Treaty, the Commission can propose harmonization measures only where trade between member countries is hampered by differences in the laws or regulations in force. In practice, few goods are produced and sold only in one and the same country; at the same time, firms have no desire to manufacture to two different sets of standards, one for domestic and the other for export sales.

Member countries are therefore expected to follow the Community lead in modifying their national legislation to conform with common standards.

The aim of the Community programme is to eliminate technical trade barriers by ensuring that the products for which mandatory standards exist are all subject to the same legal or administrative regulations in all member countries and to the same inspection, testing and certification procedures. The Commission has said clearly that it is fully aware of the need, in carrying out this programme, to avoid erecting new trade barriers between the Six and non-member countries.

The Community programme sets out to harmonize compulsory technical regulations. If it achieves this by reference to a standard which is already harmonized internationally, it reduces the likelihood of any new barriers being erected around

Philips



Testing electric shavers.

the Community by the creation of industrial standards valid only for the Community.

Under the general programme adopted by the Council of Ministers on May 28, 1969, directives were to be issued according to two timetables, one for manufactured goods, and the other for food products. The directives will oblige member countries to amend their laws after a reasonable transition period. For the directives issued so far, the length of time allowed for adaptation of national regulations has varied between one and ten years; three to five years appears to be the norm.

Reciprocal recognition

The timetables were accompanied by two resolutions. In the first, the Six agreed in principle on reciprocal recognition of each other's inspection and test certificates and approval procedures. If the mandatory standards, methods of inspection and methods of test were "equivalent", or were made equivalent by Community action or other means, the directive for the product concerned should specify reciprocal recognition of the inspection and test procedures. The resolution did not define "equivalence". The Commission has already asked member states to fulfil this resolution in connection with the directives adopted for harmonization of approval procedures and safety requirements for motor vehicles. The Commission is expected to rely on this resolution more and more in future.

So that harmonization directives could be rapidly amended to keep abreast of technical developments, the Council of Ministers adopted a second resolution under which they delegate certain powers to the Commission. The Council provided for an advisory committee to be set up to work with the Commission in a flexible amendment procedure.

Status quo accord

The Six voluntarily agreed on a *status quo* arrangement: they would refrain from issuing new national regulations in sectors covered by the Community programme. Any member state that found it essential to introduce any regulations likely to create a technical barrier to Community trade would give the Commission a period of notice; this would give it time to produce a harmonized set of requirements for the whole Community before the national regulations should come into force.

About a dozen directives (including eight involving motor vehicles) have so far been issued for manufactured products.

In addition to the resolution on the reciprocal recognition of approval and certification procedures, the Commission envisaged four possible "solutions" in implementing directives to suit the differing circumstances in each product sector:

1. "Total" harmonization of legislation: by this procedure detailed harmonized Community rules would replace completely the former disparate domestic regulations;

2. "Optional" harmonization of legislation: Community rules would come into force in parallel with existing national regulations: manufacturers who produced in accordance with Community requirements would acquire access to all Community markets: while manufacturers who produced in accordance with existing national regulations would have access only to their home market.

3. "Reference to standards": Community directives would lay down certain general performance and/or safety criteria, and specify the appropriate harmonized standards. Products manufactured in conformity with these standards would be accepted as complying with the general criteria: alternatively, manufacturers would be permitted to comply with the general criteria by other methods, for example by new technical processes. Directives in this form would say either: "This equipment must comply with Standard XYZ", or "This equipment must be safe: compliance with Standard XYZ will be taken as an indication of safety: or safety may be proved by other means."

4. "Reciprocal recognition of legislation": this procedure provided that products manufactured and, if required, tested in accordance with the rules of one Community country might circulate freely in the other member states.

Informal consultation

Wherever Community legislation is planned, the Commission consults the Economic and Social Committee. This enables all Community economic and social interests, including manufacturing industry, to consider and advise on the plans of the Commission and Council of Ministers. The Commission has also instituted a process of informal consultation for all product sectors concerned in its harmonization work, through the working groups of government officials of the six member states that are preparing and drafting the directives. The Commission has arranged for these bodies to establish close connections with representatives of European trade federations and committees of manufacturers of the products concerned.

Links between the Commission and the international standardization bodies have been greatly strengthened since its harmonization work began. The "reference to standards" procedure ensures that the Commission's work is often based on recommendations of the standards bodies. A great deal of CEN's (European Standards Coordination Committee) work is to prepare harmonized standards for Community regulations.

The programme for manufactured products covers aerosol containers; cosmetics; glass; textiles, agricultural machinery and tractors; containers for transport of dangerous substances; fertilizers; household products (e.g. soap, detergents); measuring and weighing equipment; motor vehicles and mopeds; oil and gas pipelines; scaffolding; electrical equipment; non-electrical appliances for heating, cooking and water-heating; cranes, hoists and lifts; dangerous substances; materials and objects in contact with foodstuffs; precious metals; pressure vessels; welding and metal-cutting equipment; machine tools; ceramics, rubber; cement; and construction materials.

More flexible transport rules proposed

The Commission has sent the Council a proposal aimed at making more flexible the Community regulations of 1969 on social provisions in road transport. Since they entered into force on October 1, 1969, some of the measures provided have not been applied in all member states, partly because they have proved to be too complicated or excessively detailed. Drivers of lorries and buses have found it difficult to respect all the regulations.

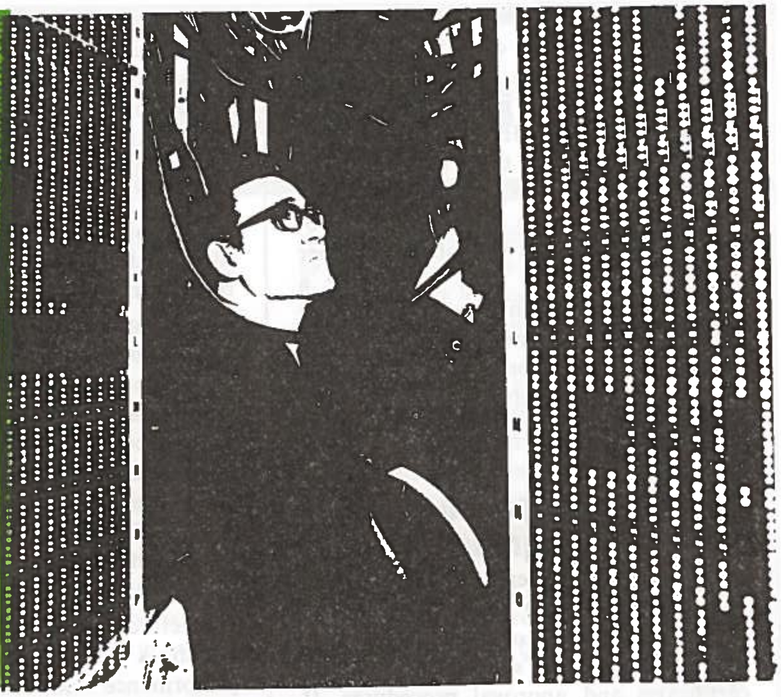
The proposed amendments concern:

1. Short-distance road transport, distribution and collection services. Because drivers stop frequently they find it hard to keep their obligatory logbook. The Commission proposes that vehicles equipped with a mechanical checking device need not keep a logbook if the times not recorded by this device are properly recorded in another way.

2. Road transport connected with the building industry. The application of the general provisions is impossible for this type of transport, which is linked with the pace of work on the sites. The Commission proposes the abolition of logbooks when a mechanical device exists, and more flexible provisions for rest breaks in driving, because of the technical difficulties of interrupting the operation of mixer lorries and lorries transporting tar or earth. As a counterpart, the daily driving hours should be reduced by one hour, and the breaks (distributed as needed) should amount to at least one hour a day.

3. Agricultural transport. Tractors used solely for agricultural work would be excluded from the regulations.

COMPUTER FIRMS SEEK JOINT VENTURES



Some major European computer manufacturing companies are cautiously moving nearer to what they have long talked about doing: developing joint standards, and so try to make a stand against the common opponent – America's gigantic International Business Machines (IBM) – which dominates the market in Europe as it does everywhere else.

However, any group effort would be different from what almost everyone envisaged when the companies started talking a few years ago. It had been assumed that any cooperative ventures would be limited to the European companies themselves. Instead, on present trends, the European firms may be joined by, of all things, an American company. Not the dreaded IBM, of course, but Control Data Corporation of Minneapolis, Minnesota. This US company has in years past won out over IBM in its chosen segment of the market – very large computers – but last year fell upon hard times as the American recession severely cut purchases of most equipment requiring large capital outlays. The slowdown hit Control Data especially hard because it chiefly depends on the American market; other American-owned computer companies, most notably IBM itself, have been able to bolster sagging home sales with surging sales in Europe.

Common technical standards

In February it was announced that Multinational Data, a joint study company, registered in Belgium, and formed by Control Data Corporation, Compagnie internationale pour l'Informatique (CII) of Louveciennes, France, and International Computers Limited (ICL) of Britain, wanted other companies and organizations to become associated with its efforts to develop common technical standards. Most likely to be interested would be Siemens of Germany, Philips of the Netherlands, and Olivetti of Italy. Multinational Data plans to cooperate in important ventures in ways which will improve the competitivity and prosperity of the parent companies, while recognizing their continuing independence.

A major area of study is the continued development of compatibility between hardware and software products and customer services of the parent companies through the development of common technical standards.

Multinational Data will make available to other computer companies any common technical standards that it develops and adopts. In fact, Multinational Data says that it hopes "that many other organizations will adopt and implement the common technical standards which are developed through the collaboration of the three parent companies of Multinational Data and that, in due course, other parties will wish to be associated with this work."

Until the February announcement, it looked as if there would be no common effort at all. Talks initiated through the European Community with the avowed goal of teaming up the five European companies to develop a giant computer to go into service at the end of 1970s have so far led nowhere, although the discussions were valuable in bringing the companies together to exchange views. ICL and CII, the two companies most eager for a joint effort, apparently lost heart in the talks because of what seemed to be irreconcilable differences. Siemens, the second largest of the five in computers after ICL, seemed to be so closely wedded to America's RCA Corporation, with which it has a licensing agreement, that there appeared to be little chance of persuading it to join any cooperative undertaking. Olivetti had chosen some years earlier to concentrate its computer activities on terminals, which are of use only when linked to someone else's central computer. Olivetti was reluctant to join any group of manufacturers of central computers: it would prefer to remain friends with all such manufacturers. Philips was regarded as extremely cautious in the computers sector.

Rationalize research and marketing

So, last autumn ICL and CII announced they were joining with Control Data to form a joint company, International Data, since renamed Multinational Data. They would attempt to establish common standards and machine architecture for the three companies' computers, and later try to rationalize the research and development and marketing efforts of the three companies. No-one was prepared to say officially how far cooperation might extend; off the record, however, some executives strongly hoped that ICL and CII would one day sell Control Data computers in Britain and Europe, and that Control Data in turn would sell ICL and CII machines in America. This would extend the market bases of the three companies – and the men who manage computer companies well appreciate that a wide market base is necessary to support the high level of research and development expenditure required in such an advanced industry.

At the same time, the cooperative effort could easily reduce the level of research and development expenditure. Savings could be made with a minimum of difficulties in some areas; instead of each company developing its own line of printers, disc drives, disc packs and so

forth, a common line could be developed for the central computers of the participating companies. Much the same thing happens when computer companies merge.

For instance, after Honeywell bought most of the computer interests of American General Electric, it was able to cut the combined work forces around the world by 7,000, leaving about 50,000 employees. Most of the 7,000 were released as the company closed down duplicate facilities, many of them concerned with development of peripheral devices.

Complex negotiations

Even if Siemens, Olivetti and Philips indicated that they wanted to work with Multinational Data in establishing common standards and machine architecture, it is generally assumed that there is no possibility at present that the five European companies plus Control Data will merge into one large combine. If they did, it would mean that each segment would be responsible for the development and manufacture of one or at the most a few computers compatible with all the other computers made by the group, and that each member company would help all the other members to market their products. Multinational Data has ruled out such an arrangement, which would require complex negotiations. Even if such an arrangement were made one day, it is not certain that it would bring about an independent European computer industry strong enough to resist further incursions by the Americans and still prosper.

The two European companies and Control Data are doing their best to carry out a broad strategy. The strategy is mainly based on the assumptions, valid for most industries, that success depends on reducing research and development expenditures, concentrating manufacturing resources to take advantage of long production runs and strengthening sales and marketing teams. But a major influence on the computer industry in the next few years is the fact that many business companies around the world that own computers are dissatisfied with them. This is especially true of large corporations with considerable experience with computers. Most of these dissatisfied customers are located in the United States, but this is only because the United States has had a large computer population for a much longer time than any other country. However, the trend can be identified everywhere.

Third-generation computers – those that came along in the mid-1960s – cost so much that business corporations can justify their purchases only if a great many jobs can be run on them. Theoretically this is easy because the actual electronic equipment, or hardware, is certainly there to do it. Computational speeds are just this side of the velocity of light. Memories are vast and techniques have been devised to enable the computer to handle more than one job simultaneously. But all this is only potential computer power. To be usefully employed, it has to be given precise instructions. This aspect of computing, called programming, has failed to progress at the same rate as the development of the hardware. As a result firms need platoons of clever programmers to exploit a third-generation computer, but these experts have always been scarce. Most managed to put a few applications on their computers but, viewed as a capital investment, third-generation computers have been one of the poorest gambles many company accountants have ever taken.

When times are good the cautious accountant may be ignored, but when money is tight his thinking dominates business companies. The current sluggish American economy means that few company accountants are authorizing purchases of computers. Their attitude will ease once the American economy picks up, but then the entire computer purchasing situation will have changed. Computer managers or salesmen will no longer be able to live off the glamour of computers. Airy promises about what a new computer will do will not be enough. From now on many proposed computer projects will be subjected to the same cost criteria as other major capital investments.

Computers have extended man's powers in an unprecedented way; unlike all other machines, however, they accomplish nothing in themselves, but influence some other process that actually produces the goods or provides the services for the firm. To do this effectively, the computer's programming must be effective. A cost evaluation cannot depend only on the price of the hardware. A business must calculate the price of both the hardware and all the programming necessary to put the computer into operation.

Traditionally, the manufacturer has provided the computer, plus some programming when the computer was bought or hired. At least half of the cost of computer systems has been the vast amount of programming done by the manufacturer and supplied, technically, free. The customer has had to do part of the programming himself. Most customers now realize that they cannot carry out programming effectively, at least within a reasonable budget, and so IBM last year took a step towards meeting this dissatisfaction with its "unbinding" move, which means that it now charges separately for hardware and programming services. This change will allow it to offer much more programming help than it could afford to do in the past, although as yet there has been no major extension of services.

Many customers, particularly small and medium-size companies, will want the ultimate in service, which no hardware manufacturer so far provides. These companies do not want to get involved with the complexities of the computer. They want to be able to buy, for an inclusive price, not a stand-alone computer, but the entire computer system, including all programming, that their organization needs. Where a company's requirements are small, it may well go to a computer bureau which will provide certain services for a standard rate. Under this arrangement, the customer does not purchase a computer; the computer is owned or leased by the bureau.

Where the customer's requirements are larger, he will probably want his own computer. However, he wants it installed and working, and the companies that can offer him this may grow quickly. Most hardware manufacturers have already adjusted their corporate structures and run bureaux that, for a fixed price, install, manage and operate computer systems. If the European companies can make their systems compatible with each other, they are likely to give priority to setting up a joint-leasing bureau.

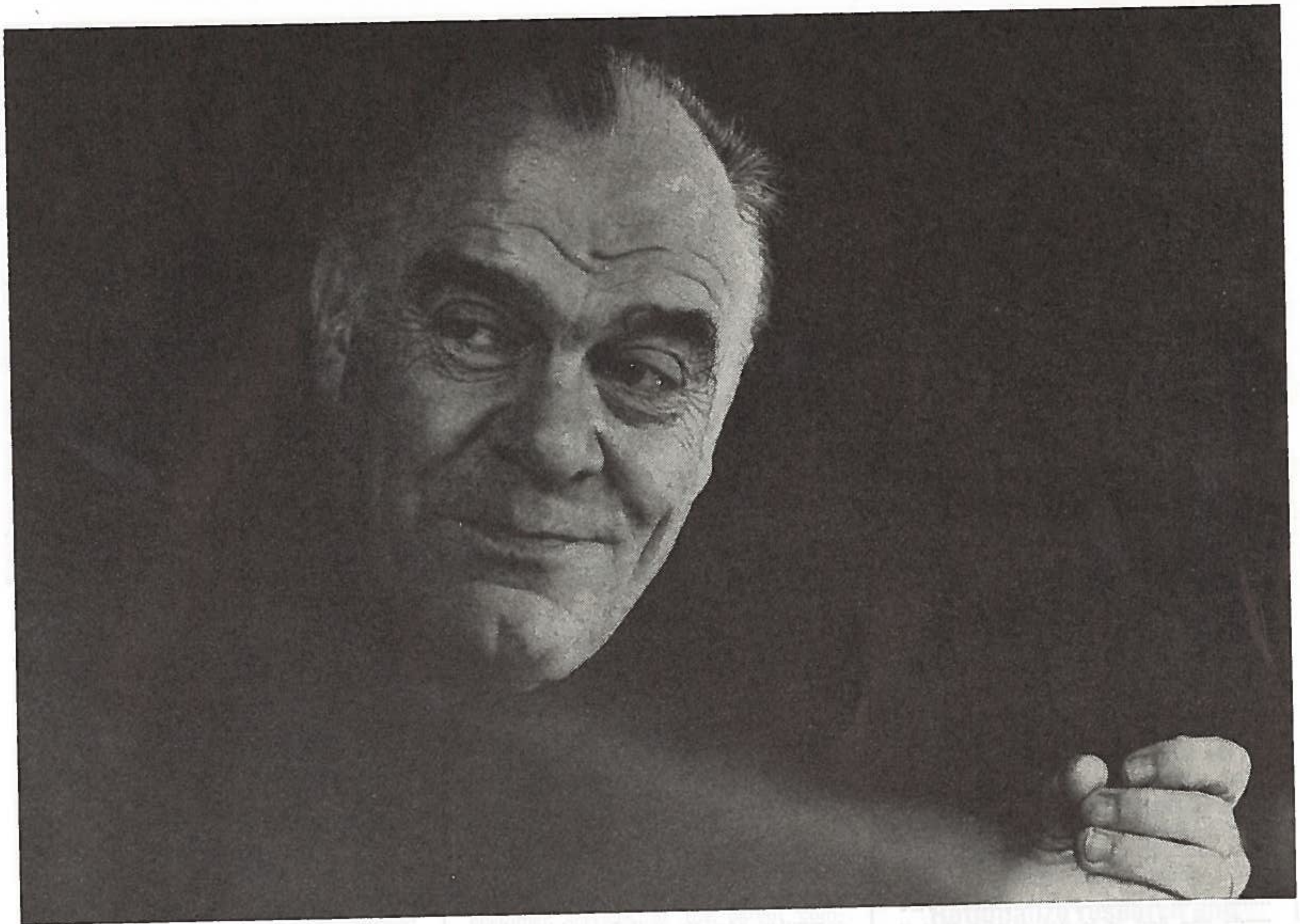
IBM files anti-trust suit

IBM in April filed an anti-trust suit against Control Data Corporation (CDC), alleging monopolistic practices including the creation of an international cartel comprising CDC, International Computers Ltd., of Britain, and Compagnie International pour l'Informatique, of France.

The IBM suit was a counterclaim to one filed against it by CDC 2½ years ago, also alleging monopolistic practices. In response to IBM's action, CDC lawyers filed a motion to dismiss the rival company's claim.

IBM's suit charged that CDC took part in the formation of an international cartel with a view to anti-competitive practices. It alleged that the cartel launched numerous joint development projects and had agreed to divide the computer market.

IBM's action said the cartel had decided that CDC would manufacture large computers, while ICL would abandon its efforts in that field and concentrate on medium and small-size machines. IBM contended that CDC had solicited at least five US, eight European and three Japanese firms, plus at least 13 foreign governments, to join or support "the club".



de Rougemont on Europe

Denis de Rougemont, one of the leading intellectual pioneers of a United States of Europe, challenges the traditional thinking on European unity. Born in Switzerland in 1906, he has an international reputation, through his books and through his links as founder and director for the past 20 years of the European Cultural Centre in Lausanne. His latest book, *Lettre ouverte aux Européens,* was awarded the Robert Schuman prize.

For the past twenty years you have devoted a large part of your life to the cause of European federation. And yet Europe is a long way from being made. Are you not afraid of having wasted your time?

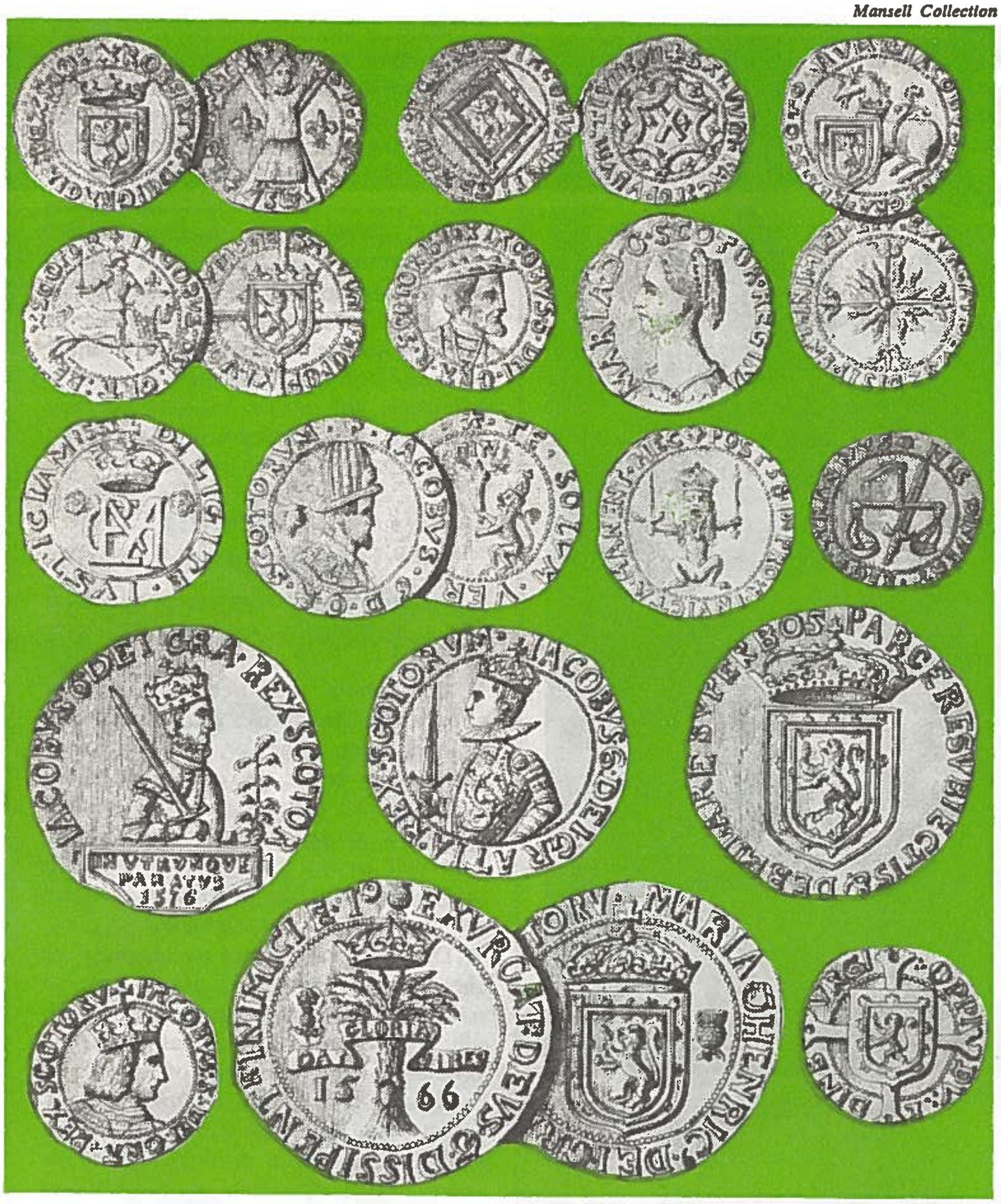
I have probably chaired a greater number of committees than any other writer! But one has to know how to waste nine-tenths of one's time for the remaining tenth perhaps to be of some use. It is one of the laws of action. I think that in 20 years from now we shall be able to make Europe on the basis of regions, surmounting nationalist feelings. I have noticed, moreover, that doubts about Europe and the vitality of its culture exist only in the minds of European intellectuals and nowhere else.

For Europe today, including Eastern Europe, represents 480 million people. To say that Europe is sandwiched between the two great powers is a joke, for even the 237 million Soviets and the 203 million Americans added together do not reach the European total. If these figures do not reasure us, it is because we feel merely French or Swiss or Danish or Belgian, and therefore too small. We lack the consciousness of forming a whole. This is basically because 120 million of us have been made into satellites by the USSR, while 320 million are pretty much colonized, to put it simply, by the dollar. All of our countries are too small; soon none of them will be able to keep the pretence of independence.

How, then, would you like to create Europe?

On all those who have been building Europe – the economists of the Common Market, the politicians, and the university teachers – I think that the activities of the European Cultural Centre have gradually imposed a certain attitude; it gives the potential union of Europe a complexion and direction based on the cultural unity which has come about in the process of founding Europe over the past two to three thousand years, and which is characteristic of European society. Others are trying to build an economic Europe; I have strived towards one of values and people.

Mansell Collection



Some of the coins used in the sixteenth century.

tries of the Levant. When they had brought enough money to those regions to guarantee substantial money reserves in the castles of the Holy Land, they gave up these dangerous exploits. Instead, the Templars became the first in Europe to introduce letters of credit. The text on these documents invariably started with "Al nome di Dio!" (In the name of God!)

In those days, brokers fixed the exchange rate of "foreign" coins in deepest secrecy. The rate which received a majority of votes was accepted as universally binding. By the end of the sixteenth century, it was still simple to revalue a currency. The Netherlands, for example, who were still fighting for their independence, had created their own monetary symbol, the "rijksdaalder" (i.e. "state dollar"). In 1575, its value was fixed at 32 "stuivers"; in 1586 it was changed to 45, and in 1620 to 52. The "rijksdaalder" of the modern Netherlands still exists; it consists of 50 "stuivers", or 2½ guilders.

The discovery of America drastically changed the European coin system through the flooding of the old world with gold and silver. It was at that time that coins were given their artistic shape and, for the first time, the major deficiency of mediaeval money was remedied: the new mechanized production process guaranteed that each coin had the same weight and silver or gold content. The motto on the coin's edge – usually pious phrases like "God be with us" on the Dutch guilder" – helped to prevent illicit changes in the coin's value. At the time of the Renaissance, monarchs started the first coin collections: the birth of numismatics.

Another ECU loan

Another borrower has issued a loan denominated in European Currency Units (ECUs). The Italian nationalized electricity organization, ENEL, raised the equivalent of $60m by way of a 60m ECU, 15-year bond offering.

ENEL is the first government borrower in the Community to raise funds in ECUs. The bonds are guaranteed by the Republic of Italy.

Under the ECU formula, the investor is not only protected from devaluation, but also stands to profit from a revaluation. ENEL borrowed the money just before the German mark and the Dutch florin were allowed to "float" upwards.

With an issue denominated in ECUs, the investor can choose any Community currencies in which to subscribe for bonds. The value of the ECU is fixed for the life of the loan by reference to the exchange rates of the six EEC currencies ruling at the issue date of the loan. However, the investor can also choose the currency in which he takes his interest payments and repayment of principal.

Thus, an investor is likely to pay for his bonds in a weak currency, confident that any devaluation will not harm him. When it comes to interest payments, he demands payment in the strongest EEC currency. Should a currency be revalued, the investor stands to gain.

The European Coal and Steel Community last year issued the first loan of this type.

EEC's new SDRs

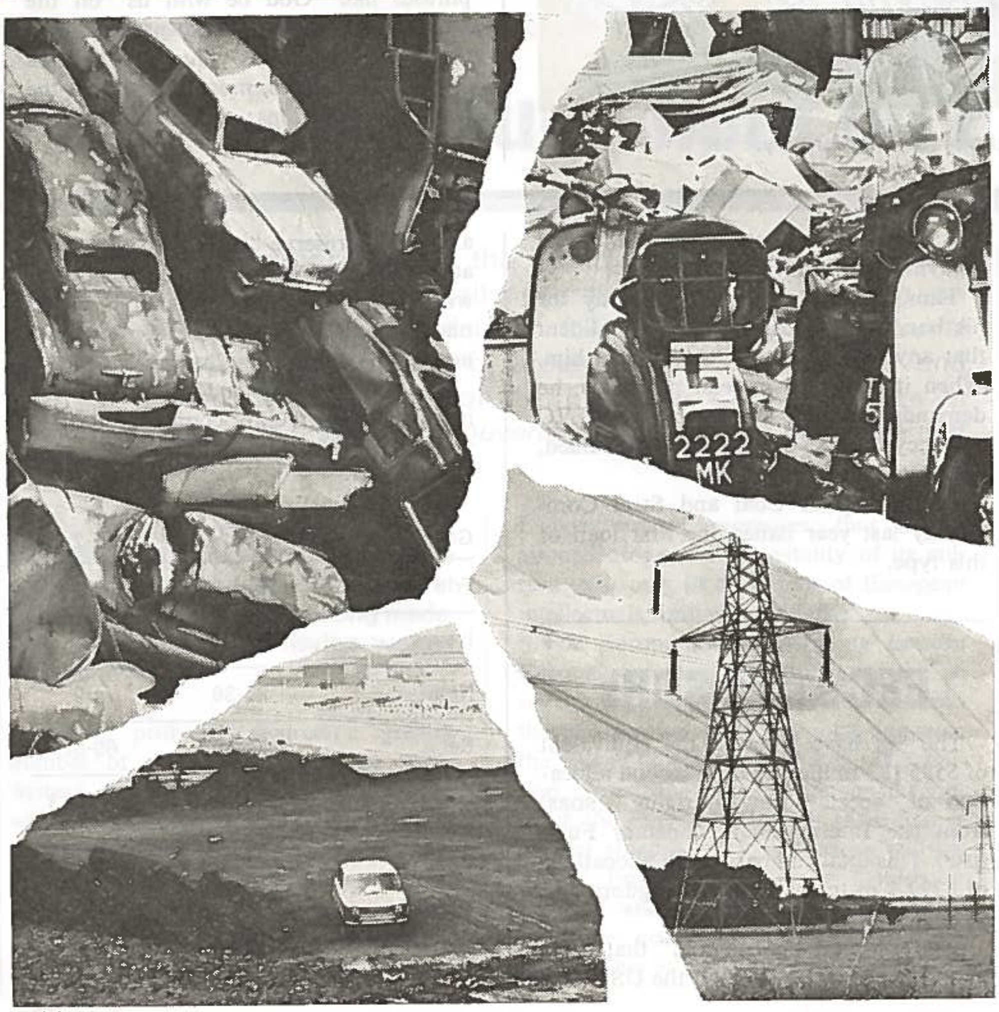
The Six have received the equivalent of $585·183 million as their second allocation of "special drawing rights" (SDRs) from the International Monetary Fund (IMF). This total compares with allocations of $299.6 m to the United Kingdom and $716·9m to the United States.

SDRs, the new "paper gold" that takes its place alongside gold and the US dollar as a major reserve "currency", were first activated on January 1, 1970, to increase world liquidity. Each SDR unit is worth one US dollar. SDRs already activated now total $6,363 thousand million.

The first and second allocations for individual Community countries, the UK and the US are, in $ million:

	Jan. 1, 1970	Jan. 1, 1971
Ger	201·6	171·2
Fr	165·48	160·5
It	105·0	107·0
Neth	87·36	74·9
Bel	70·896	69·55
Lux	3·192	2·033
EEC total	**633·528**	**585·183**
UK	409·92	299·6
US	866·88	716·9

POLLUTION: A EUROPE FIT TO LIVE IN?



Pollution has no respect for frontiers. Anti-pollution measures necessarily have important economic and commercial implications. They are therefore par excellence a field for decision at an international level. The Commission has set out in a memorandum addressed to the Council of Ministers in July a Community policy on the environment and a draft action programme. It intends in due course to enter into contact with the relevant authorities of the six member states and of the candidate countries. It will then be able to suggest concrete measures to be carried out by the Commission.

A Community programme

The following points are put forward for a Community environmental programme:

- Community measures to reduce or eliminate pollution risks for human health or well-being. The organization of a Community water and soil observation network; the setting-up of a common centre for processing these observations. This will involve a coordinated research programme and the possibility of Community financial participation.
- The preservation and arrangement of the natural areas and resources and environment of the Community, especially in the context of regional policy; the promotion and planning of certain regions of general concern for the Community, e.g. the Rhine valley and the sea coast; and financial participation in the creation and operation of control and planning agencies for these regions.
- Enlistment of the cooperation of the member states in harmonizing and reinforcing control over individual observance of anti-pollution regulations; and on measures to repress infringements.
- The contribution of financial aid for special regional or sectoral programmes to fight pollution.
- The creation of a European Environment Institute.
- Community participation in the work of international organizations working for the preservation of world natural resources and for the suppression of international trade barriers.

Priority action

Due to their urgency five priority actions should be started at once:

- The reduction of the concentration of some of the most dangerous polluting agents in the air (sulphur anhydrite, carbon dioxide, etc. and in the water (phosphates, hydrocarbons, etc.).
- The reduction of the pollution caused by the use of certain commercial products and substances resulting from industrial production.

● The implementation of a coordinated research programme into polluting agents so as to establish criteria, indices and standards.

● The planning of open space and natural environment; the study of the Rhine basin in cooperation with experts and the relevant institutions; support by the Commission and work under its own initiative to check pollution of the Mediterranean and the North Sea.

● Basic studies to delineate and solve environmental problems (involving, for instance, an inventory of legislative, regulatory and administrative measures; the elimination of waste; estimates of the costs of fighting pollution, etc.).

Implementation of these priority measures should be accompanied by a greater degree of Commission participation in the work of international organizations and by Community cooperation with third countries.

The EEC context

The memorandum says that while one of the objectives of the EEC Treaty is the acceleration of the raising of living standards, the protection and improvement of the environment is just as important to this aim as a quantitative increase in the standard of living. The member states should now be ready to face up to the qualitative implication of technological progress; this means that there must be concern about the social cost of environmental degradation; that financial sacrifices for the war against pollution must be accepted; and that the present institutions must be adapted so that they can tackle and resolve problems which often exceed the traditional political and economic framework.

However, measures such as those mentioned above carry with them the risk that certain sectors of industry and the economy could be penalized as against others less concerned about pollution or with other notions of how the financial burden of an anti-pollution campaign should be distributed. Assuming, then, that distortions of the market could arise it is urgent and imperative that measures should be taken within the framework of a single market set to develop into an economic union.

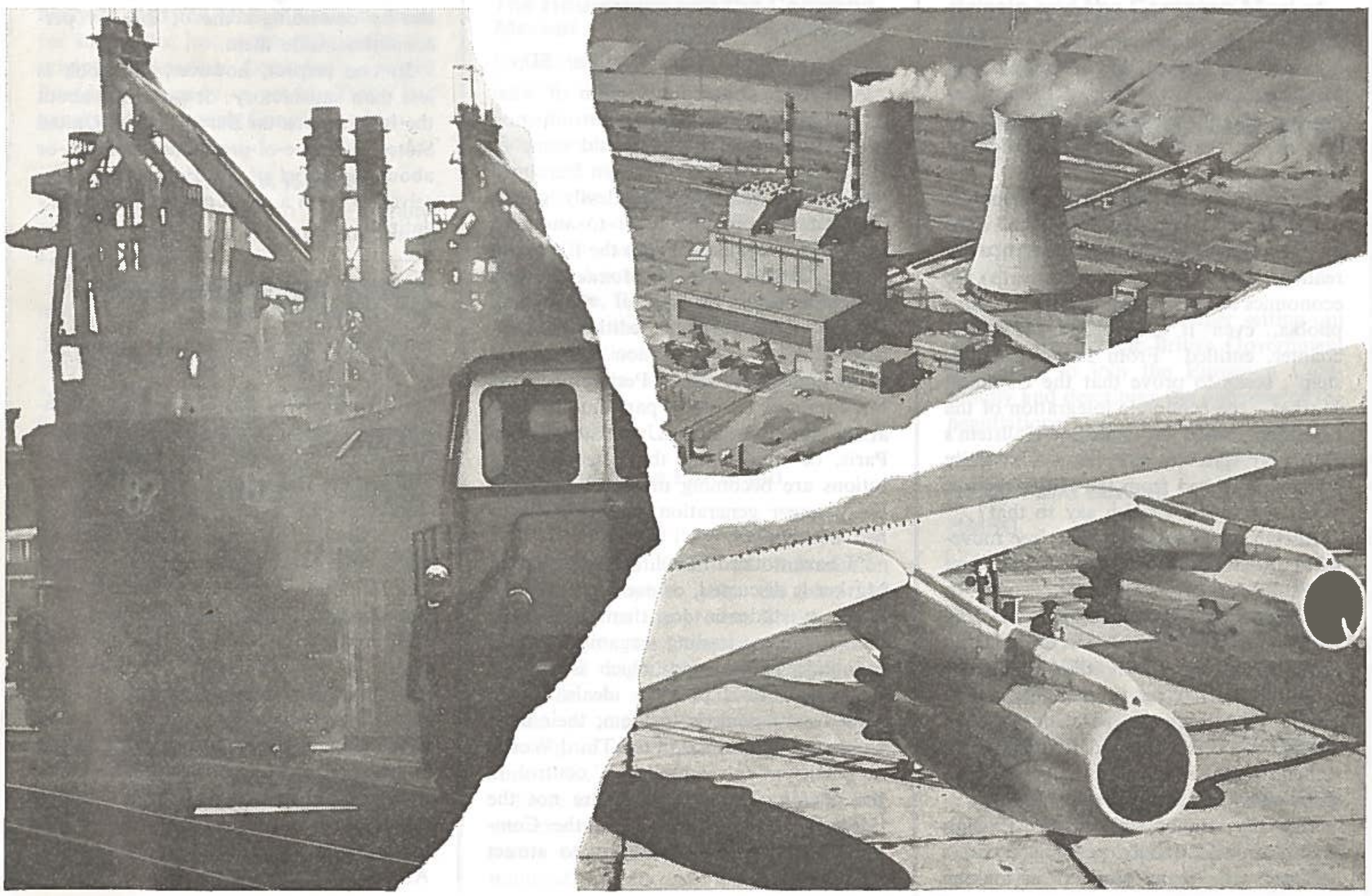
The memorandum calls for the elimination of the technical obstacles to trade arising from disparities between legal and administrative measures applying to products which inherently or by their use cause pollution. This can be achieved through applying EEC rules as regards the member countries; and, in certain cases, through international agreements between the Community and third countries.

Dealing with the use of land resources, the memorandum says that the expansion of industrial and agricultural activities, rising urban populations and the increasing use of land for pleasure and rest make it necessary to use land and natural resources rationally. They can no longer be regarded as free and unlimited in extent; they represent rare and valuable economic assets which must be protected and looked after.

Finally, it says that the pollution of such rivers as the Rhine, and the Mediterranean and Black Seas constitutes an immediate and urgent problem, which can only be effectively tackled through the exercise of common decisions as regards objectives, solutions and means.

Legal basis for action

As regards the Treaty basis for a Community programme the present Treaties provide insufficient and inappropriate powers for tackling these new fields of action. So as to be able to enact Community measures which will be directly applicable in member states and which, once adopted, will replace existing national measures or fill in the gaps in national legislation, the Commission proposes to resort to Article 235 of the EEC Treaty, unless powers have been expressly provided in one of the three Treaties. Article 235 provides for Community action, following unanimous decision of the Council of Ministers, in cases not specifically provided for by the Treaty.



Europe in Print

International Security: Reflections on Survival and Stability

Edited by Kenneth J. Twitchett. Oxford University Press. £1·00

Among the essays in this book is an analysis of security problems in Europe by Peter Nailor. He argues that prospects of achieving a real détente in Europe depend largely on the emergence of a common position between London, Paris and Bonn. Mr Nailor notes that "to a very limited extent some of the groundwork necessary to develop schemes for unification" is being carried out within the Community, and he doubts whether agreement will be easily reached. Although conflicting interests make fruitful cooperation difficult, e.g. in technology, the attempt should nevertheless be made, he argues.

The Case against Joining the Common Market

By Paul Einzig. Macmillan. £2·80

Right at the beginning of his book Mr Einzig announces that he is a naturalized British subject, brought up on the Continent, who did not speak a word of English until the age of 20. He says that it is perhaps absurd that he should feel so strongly about the risk of Britain losing her identity by reducing her role to that of "a member of an association of Continental nations".

Mr Einzig is a well known economic journalist, and he bases his "anti" case on economic arguments. But many readers may feel that underneath the economics flows a strong current of xenophobia, even if naturalized. The first chapter, entitled "From Hitler to Hallstein", seeks to prove that the Common Market – the economic integration of the Continent, based on Professor Hallstein's Common Agricultural Policy – is basically an idea inherited from the Hitler regime. What would the French say to that?

Elsewhere, he suggests that free movement of labour might induce the worst type of foreign workers to come to Britain, because of the possibility of being paid a full day's pay without doing a full day's work. Mr Einzig thinks that the multitude of devices of malingering are bound to attract the parasitic type of foreign workers who find it much more difficult to get away with malpractices in their own countries.

One may doubt whether Mr Einzig's polemical and unduly pessimistic views will persuade many readers; in making such an extreme case he may well provoke the uncommitted to seek more reasonable assessments of the pros and cons.

Trans-national Business Collaboration among Common Market Countries

By Werner J. Feld. Praeger. £5·25

Professor Feld set out to see whether trans-national business collaboration in the Community produced any "spin-off" that furthered political integration. He finds that although the direct effects have been slight, business pressure for more fiscal and legal harmonization could enhance the powers of the Community institutions. Although trade unions have expressed concern about the growth of multinational companies, Professor Feld notes that this development has spurred labour to work for trans-national bargaining. He believes that if the unions succeed in this, they will lessen their opposition to the mammoth firms and give even more support to the Community system.

The New Europeans

By Anthony Sampson. Panther. 50p

A revised, paperback version of what is still the liveliest English introduction to "the institutions, forces, and some of the personalities of the western European scene". Mr Sampson effortlessly guides his readers from one topic to another: students to scientists, cars to the European cinema, languages to *Le Monde*. He was sympathetically critical of the Community in the hardback edition. His introduction to this edition suggests a hardening of his views. Perhaps because Mr Sampson is now a part-time lecturer at the new Vincennes University outside Paris, he thinks that the Brussels institutions are becoming more remote from the younger generation. But is he justified in saying:

"I have noticed how little the Common Market is discussed, or even attacked, by the new students; for them it is little more than a trading organization, an economic background which is cut off from their own political ideals, if not actually antagonistic to them; their most passionate interests – in the Third World, in 'participation' and workers' control, in the opening to the East – are not the interests of the Market, and the Community has done little to try to attract them."

"Participation" and workers' control feature prominently in the Commission's proposals for a European company. The Six have given a lead in introducing generalized tariff preferences for the Third World. It is difficult to blame the Community for not actively pursuing the opening to the East when the Soviet bloc steadfastly refuses to recognize or negotiate with the Community. (Moreover, the Community is continously seeking, in the economic and commercial field which it covers, to liberalize its rules for the goods it buys from the Communist countries).

Men and Money: Financial Europe Today

By Paul Ferris. Penguin. 40p

Paul Ferris has an enviable gift: he not only explains Europe's monetary mechanisms, but makes them fascinating for the intelligent layman. He is undaunted by Eurodollars, tax havens, special drawing rights and the many other expressions that one encounters in today's money maze. As the title indicates, Mr Ferris brings banks and bourses to life by describing some of the key personalities inside them.

In one respect, however, the book is less than satisfactory: it says little about the implications on Europe of the United States balance-of-payments deficit or about the effort of the Europeans themselves to form a more cohesive monetary entity.

The East African Community and Common Market

By Ingrid Doimi di Delupis. Longman. £1·00

An analysis of the origins and operation of the East African Community and its common market. The final chapter outlines the European Community's relations with the three East African states, with Nigeria, and with the 18 African states and Madagascar associated under the Yaoundé Convention. Parts of this last section are sadly out of date.

The author believes that, despite criticisms to the contrary, the European Community's associations with African states are compatible with GATT rules. The main GATT rule in question, Article 24, requires customs duties to be eliminated on substantially all trade between the countries concerned in creating a free trade area or customs union. Because the African associates are allowed to levy

duties to encourage their industrialization and to provide revenue, it has been held that the Yaoundé and Arusha accords are contrary to GATT. Mrs di Delupis maintains that it would be difficult to argue that these "indispensable" safeguard clauses could ever concern more than a fraction of the total trade between the Six and East Africa. But she accepts the view of GATT experts that if other GATT signatory states suffered damage they would be entitled to challenge the association agreements.

Europe's Free Trade Area: EFTA and Economic Integration

Edited by Hugh Corbet and David Robertson. Pergamon. £2·75 hardback; £2·00 paperback.

Running through several of these essays is a theme that was topical before the present enlargement negotiations began: the convening of another "Kennedy Round" conference to create a Western European or a worldwide free-trade grouping. Until 1970 this was seen as an alternative to Britain's attempts to join the Community. If the present negotiations had failed, it would undoubtedly have re-emerged in public discussion. But the suggestion could also, conceivably, have validity in the context of an enlarged Community. The Commission has expressed interest in further multilateral talks to expand world trade; the prospects of a ten-nation Community are likely to lead the United States to press for such talks, just as the creation of the original six-nation Community helped President Kennedy to get his Trade Expansion Act through Congress.

European Politics: A Reader

Edited by Mattei Dogan and Richard Rose: Macmillan. £5·95 hardback; £2·95 paperback

The editors have cast their net extremely wide to provide students with over 40 reprints. To make comparisons easier, articles are grouped according to topic – e.g. pressure groups, political parties – rather than by country. The authors include Ralf Dahrendorf on the evolution of ruling groups in Europe, and Alfred Grosser on the evolution of European parliaments.

Into Europe

London Chamber of Commerce, 94 Cannon Street, London EC4N 5AB. £3·00

The full proceedings of the conference held in London in February 1971 on the implications of entry for British firms. Among the topics discussed are harmonization of laws and taxes, labour and social security, monetary policy and sterling, and the proposals for a Community industrial policy.

Journal of Common Market Studies Vol. IX No. 2.

Blackwell, Oxford. Annual subscription £2·50

The main article in this issue, by Professor Donald J. Puchala of Columbia University, seeks to portray Western European integration as a cyclical process marked by "ups" and "downs" in institutionalization, diplomatic interaction and federative enthusiasm.

Britain 1980 – Out or in

By Peter Stephenson. Socialist Commentary. 7½p

Mr Stephenson argues strongly that while Community membership is not a panacea for Britain's problems, it offers a better chance of finding solutions than would the decision to remain aloof.

Europe – the choice before us

By Roy Jenkins MP. Labour Committee for Europe .10p

The text of the speech Mr Jenkins delivered to the Labour Committee for Europe in Blackpool last year. Mr Jenkins summarizes the economic and political arguments for entry, noting that "a bit of plastic surgery" on the Common Agricultural Policy would not come amiss.

The Housewife and the Common Market

By Diana Elles. Conservative Political Centre. 10p

Mrs Elles says that the results of shopping expeditions in Britain and on the Continent show that fruit and vegetables are, on the whole, cheaper on the Continent and so is milk. The booklet lists prices for comparable food and drink items in supermarkets in Brussels, Paris, The Hague, Bonn, Rome and London.

She discusses social-security benefits, the implications of entry on UK laws and traditions, and opportunities for the young.

Britain and the European Communities

HMSO 27½p (by post 30½p).

This Central Office of Information reference pamphlet gives the historical background to the present British application to join the Community. It reviews the initial negotiations of 1961-63 between Britain and the Six and traces the course of subsequent events up to the opening of the present negotiations in June 1970.

There is a chronology for 1945-70, and the texts of a number of important documents (e.g. The Hague summit communiqué) are given in the appendices.

Labour and European Security

Labour Party. 20p

A useful summary of the moves to hold a European security conference. In his introduction, Denis Healey MP says that, if it took place, it could create permanent machinery for East-West contacts in Europe which would become as familiar as the Commission in Brussels.

Monetary and Economic Union in Europe

By Dick Taverne QC, MP. Labour Committee for Europe. 10p

A clear account of the Barre and Werner Plans and the major decisions taken by the Council of Ministers in February 1971. Mr Taverne presents the cases for and against the monetary union, concluding that "there is no reason why the aim of an economic and monetary union should not have our full support."

The Common Market Information Kit

European Movement. 10p

A folder containing six leaflets which describe in simple terms the Community's political structure, the negotiations, welfare, agriculture and industry, finance, and relations with developing countries.

Britain and the Common Market.

The European Movement, Buckingham Gate, London SW1. 10p

This pamphlet seeks to provide the main arguments in favour of UK membership of the Community.

The United Kingdom and the European Communities

HMSO 25p

The July 1971 White Paper setting out the reasons why the British Government is seeking to join the European Community and describing the outcome of the negotiations.

Britain and Europe

HMSO.

Available free of charge at Crown post offices, this 16-page booklet is a shortened version of the White Paper. Supplies of 10 copies or more available from PO Box 201, Mitcham, Surrey.

Factsheets on Britain and Europe

HMSO.

Available free of charge at post offices and in bulk as above, these documents were originally published individually and are now available printed in one booklet.

Mansholt appeals to UK socialists

Speaking as a socialist, a Dutchman and not as the Vice-President of the European Commission, Dr Sicco Mansholt gave the Labour Committee for Europe on 16 July some reasons for favouring enlargement of the Community:

"The socialists in the Six have contributed towards the higher living standards of the workers in the European Community. As a socialist I am concerned to see that these increases are also achieved in Great Britain. You must not lag behind, for our sake. I, together with Continental socialists of all tendencies – urge you to be realistic and have the courage to decide to take part in this great supranational development for the benefit of your own people, for the benefit of the peoples of Europe.

Socialism and nation states

"Entry into the Community will provide you with the big chance to ensure that modern socialism plays its role in the world. Socialism started as an international idea. It started with people without rights. It was about real freedom for the mass of the people regardless of frontiers and against their exploiters, national or foreign. We are now confronted with the problem of how to further our socialist aims. In all our nation states socialism represents an important political force. In government, in opposition, we cannot be ignored. But can socialism, even where socialist parties are in government, still be promoted solely through national action?

"Our living standards cannot be secured any more within the nation state. As a consequence of Community policies our living standards increased more than in the surrounding countries including the United Kingdom. If this development goes on, and everything indicates that it will, in ten years' time, for example, the living standards in all parts of Italy will be higher than in your country.

"We socialists on the Continent, need the Labour Party! We are at the threshold of a new period, new common tasks and actions have to be decided upon. The trade-unions are ahead of us. The trade-unions already cooperate at the European level. The first federation of trade-unions, of the metal workers, under the chairmanship of the German socialist Brenner, has been created. The process continues. It is a clear answer to the steel industry. This is the answer we need. We cannot afford to have the international industry but no international trade unions. I cannot believe that the TUC wishes to stay outside this development. There are many more reasons why the creation of Europe is a necessity.

Helping poorer countries

"Only by maintaining our efforts can we really help the developing countries. An enlarged Community will be decisive in this sector. International agreements for raw materials and basic products should be and will be enforced by the Community. By combining our efforts we can carry through the necessary international legislation. The same holds true for financial and technical aid. Already the Community has more than twenty developing countries associated with it. In various ways they benefit from Community technical and financial aid and trade preference policies. Once you are a member of the Community, this policy will be extended and at the same time the United Nations generalized preference for developing countries will be ameliorated.

Sicco Mansholt

"Cooperative endeavour is also urgently needed in environment policies. Pollution knows no frontiers. The North Sea is as dirty as the Mediterranean. Coordinated legislation has to be enforced in order to stop industry from making our environment unlivable. You cannot do that alone. Together we have to work and act together if future generations are to live in a healthy environment.

"International capitalism is able to increasingly dominate the centres of our economy and by speculative currency transactions make tenfold more difficult the solution of a whole range of problems – the position of sterling, agricultural policy and an effective international solution to world liquidity and currency problems. A very few profiteers are making millions from our divided economies. This makes it illusory to speak about sovereign national control over national economies. International finance capital laughs at the clumsy way by which governments are forced to act and react, untouched as they are by the so-called sovereign power of the nation state. The small national state, and in modern times even your country is a small state, cannot act alone, nor can it solve these problems."

Contacts with US on enriched uranium

The Commission has announced its readiness to embark on "exploratory contacts" with the United States Government following the US offer to make available to the Community its gaseous diffusion technology for the production of enriched uranium. The American offer, made on 14 July, also envisages joint discussions with a view to the installation of a supplementary enrichment capacity on a multilateral basis, as well as appropriate financial and security arrangements.

The Commission pointed out in its reply that since 1967 the Community has been working on a Community project for uranium enrichment and that the Council has given the Consultative Committee for Nuclear Research the task of assembling all the available data on enrichment by gaseous diffusion.

The only gaseous diffusion plant for producing enriched uranium in the Community is at Pierrelatte in France, but its output is destined entirely for military purposes. The EEC's supplies of enriched uranium have been furnished by the three gaseous diffusion plants in the USA under conditions fixed by the US-Euratom cooperation arrangements. An alternative source of enriched uranium may become available in Europe from the development of the gas centrifuge technology under the tripartite agreement between Britain, Holland and Germany.

Three major loans for ECSC

Three major loans have been contracted by the Commision for the ECSC. All will be used to finance projects in the Community and to promote industrial reconversion. For the first, a private loan, a contract was signed on 29 July with the International Bank at Luxembourg for a Fr.Lux 300m ($6m) loan at 7¾ per cent, to run for twelve years.

The second loan has been negotiated with a syndicate of Belgian banks. It takes the form of an ECSC bond issue to be floated on the Belgian capital market. The loan is for B.Fr. 700m ($14m) at 7·71 per cent for 15 years and is offered to the public at 99·5 per cent.

The third, also a bond issue, was signed with an international banking syndicate, for $15m at an interest of 7·75 per cent for 15 years and is offered to the public at 98·5 per cent.

These loans bring the total raised by the ECSC to $1,022·9 million. At end-1970 the total of loans granted, both from the ECSC's own and borrowed funds, along with guarantees provided for loans contracted by Community firms with third parties, amounted to $1,081·7 million.

Loans for nuclear plants proposed

The Commission has proposed to the Council the raising of Community loans to provide up to $100m to help finance two 1,000 MW nuclear power plants. Nuclear plants require higher capital investment than conventional plants and the provision of finance is a major obstacle to their construction. The Commission's proposal, based on Article 172 Section 4 of the Euratom Treaty, would enable these nuclear power plants to be financed on a basis comparable to that available for conventional power plants.

Steel producers end quotas and exclusive prices

Three Belgian and one Luxembourg producer of steel tubes, after the intervention of the Commission, have abandoned an agreement featuring quotas for deliveries of their products to the Belgian market and uniform sales conditions. The agreement was condemned for making any competition between the four firms impossible. Moreover, Belgian wholesalers were obliged to limit their orders to the four firms and thus restrict access to the Belgian markets for producers in other member countries.

Bid to aid searches for oil and gas

The Commission has proposed that Community companies engaged in oil- and natural-gas search should be able to form joint undertakings which could be granted tax concessions and other subsidies.

Certain activities in the hydrocarbons sector, notably exploration for and production of oil deposits, as well as transport and storage, are of particular importance in providing the Community with a secure supply of energy at stable prices at minimal levels. These activities demand large investments and some, at least, carry a high degree of risk. On the other hand, not all the companies carrying out these activities in the Community enjoy the same benefits as are offered to many large international concerns in their countries.

The aim of the draft regulation is to establish a framework for cooperation between companies, integration of their ancillary facilities and means of providing aids on a Community basis, all with a view to the most effective promotion of such activities as contribute towards the security of the Community's hydrocarbons supply. The application of a set of rules on the lines of the provisions of the Euratom Treaty governing joint undertakings seems an appropriate way of achieving these aims.

Companies concerned with activities of decisive importance for the Community's hydrocarbons supply may be incorporated as joint undertakings, provided that companies from at least two member states participate. Each scheme for the establishment of a joint undertaking would be vetted by the Commission, which would send the Council a thorough report together with its reasoned opinion. If this opinion is favourable it would also lay before the Council proposals on the status of the joint undertaking, any Community contribution towards its financing, the possible granting of all or some of the concessions set out in the annex to the proposal, and the conditions on which they are to be granted. The formation of the joint undertaking would be decided by a qualified majority vote of the Council, though unanimity would be required for the Community's contribution to the financing and for the concessions allowed. The latter may consist primarily of reduced taxation, and also loan guarantees, low-interest loans, or loans which would not be repaid in the event of exploration work proving unsuccessful.

EEC energy consumption up 8.5 per cent

EEC energy consumption rose in 1970 by 7¾ per cent over 1969 from 788·2m tons to 848m tons. Consumption is expected to rise to 894m tons this year. The swing in consumption from coal to oil has continued, coal consumption providing only 23 per cent of the energy consumed (74 per cent in 1950) and oil 59 per cent (only 10 per cent in 1950), while natural gas provided 8 per cent.

The following table expressed in millions of tons coal equivalent, shows the evolution of energy sources during the past twenty years.

	1950	1970
Coal	213·4	196·1
Crude oil	29·8	496·2
Lignite	25·2	34·1
Primary electricity	19·7	49·2
Natural gas	1·1	72·2
TOTAL	289·2	847·8

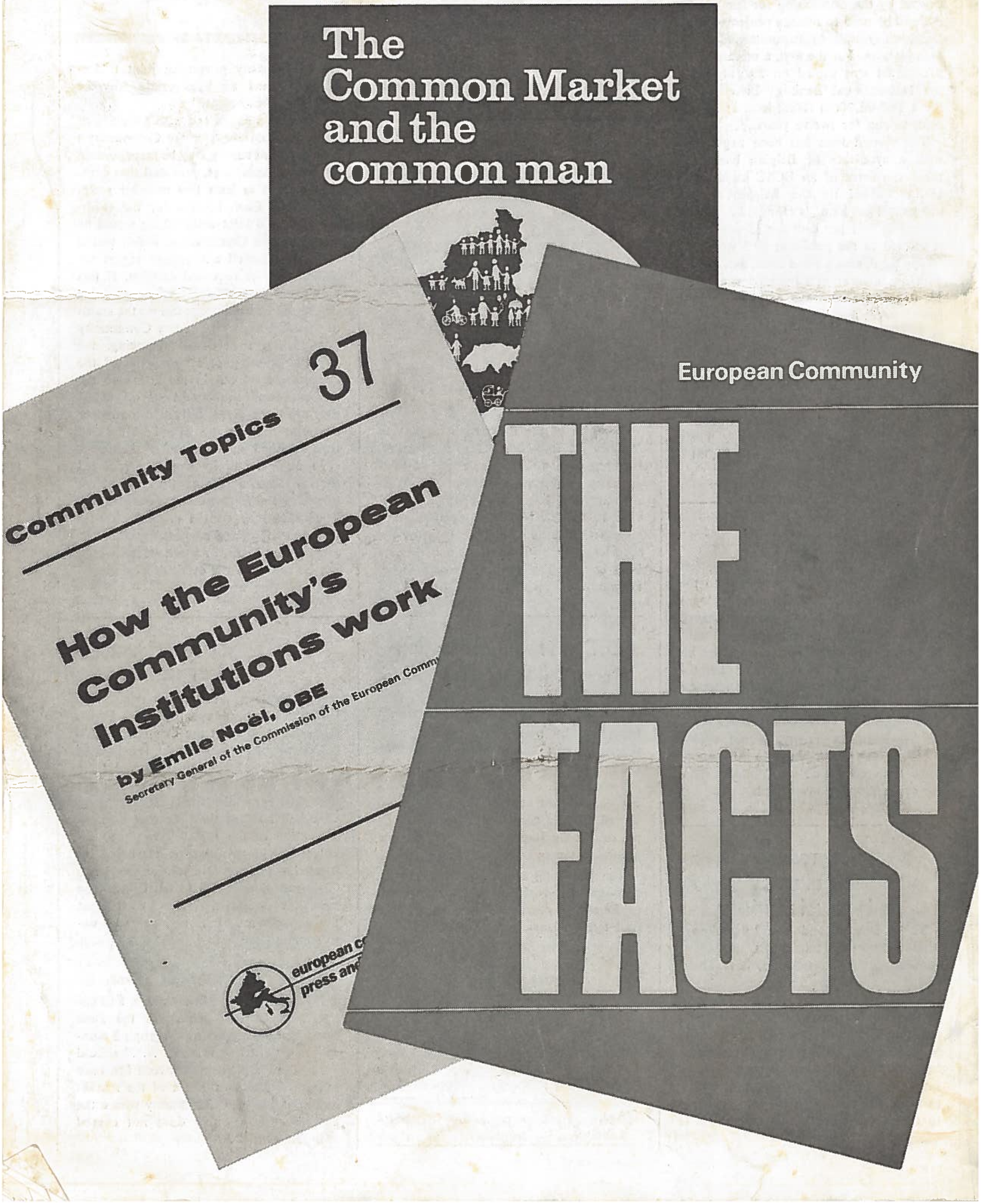
Steel aids: Court rejects Dutch appeal

The Court of Justice has rejected as inadmissible the appeal of the Dutch Government against the Commission for failing to intervene over the low-interest investment credits given in 1966 by the French Government to the steel industry under the national plan. The Commission view had been at the time that no contravention of the ECSC Treaty was involved. Eighteen months after being informed of this non-intervention the Dutch Government appealed to the Court. The appeal was rejected on the ground that the eighteen-month time lapse was unreasonably long.

Correction

In the article on "Competition and co-operation between firms" in the June number the sentence in paragraph 3 commencing "Thus agreements . . ." should read "Thus agreements between firms are exempt if the firms' share of the market in the part of the Community where the agreement is effective does not exceed five per cent . . ."

European Community free publications. Order form page 19



european community

10

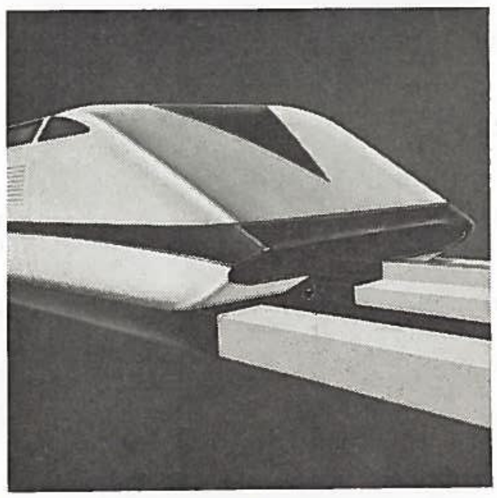
October 1971

A FAIR SHARE FOR ALL REGIONS

european community

Number 10 October 1971

Contents



European Community is published by European Community Press and Information, 200 rue de la Loi, 1040 Brussels. London Office: 23 Chesham Street, SW1. Tel. 01-235 4904. Dublin Information Centre, 27 Merrion Square, 2. Tel. 66 22 3. The magazine is intended to give a concise view of current Community affairs and to stimulate discussion on European problems in general. It does not necessarily reflect the opinions of the European Community Institutions or of its editor. Unsigned articles in *European Community* may be reproduced in whole or part without payment, provided that the source is acknowledged. Reproduction of signed articles is subject to negotiation with the authors. The editor would like to receive copies of publications in which material is reproduced.

Printed by Edwin Snell printers, Yeovil, England

European Community also appears in the following editions:
Communauté Européenne, 61 rue des Belles Feuilles, 75 Paris 16
Comunità Europee, Via Poli 29, 00187 Rome
Europäische Gemeinschaft, 53 Bonn, Zitelmannstrasse 22
Europese Gemeenschap, Alexander Gogelweg 22, The Hague
Comunidad Europea, 200 rue de la Loi, 1040 Brussels
Europaïki Koinotis, 200 rue de la Loi, 1040 Brussels
Avrupa Toplulugu, 200 rue de la Loi, 1040 Brussels
European Community, 2100 M Street NW, Washington DC 20037

A summit to solve monetary crisis?

Support is mounting for a ten-nation European summit (the Six, and the four membership applicants: Britain, Ireland, Denmark and Norway). Spurred by the United States action in August to correct its balance-of-payments and aid domestic industries, political leaders in Europe are coming round to the view that a turning-point has been reached in post-war US-European relationships and that a Community-level response is essential if European integration is not to receive a long-term setback. French President George Pompidou's call for a top-level conference was last month publicly backed by UK Premier Edward Heath. Commission President Franco Maria Malfatti has personally urged that the heads of government of the Ten meet – perhaps next spring – to draw up a plan to accelerate and reinforce the political and economic construction of Europe.

So far, the Six, in consultation with Britain, have adopted an important joint line on reform of the world monetary system. They have backed fixed but adjustable exchange parities; and urged realignment of the exchange rates of major currencies (including a devaluation of the dollar), and the lifting of the US import surcharge. Member governments have not yet been able to agree on how to restore a unitary monetary system within the Community, and in particular on how and when to return to fixed parities. Ministers may make further progress at the October 18 session, but it is thought that the crisis will not be quickly overcome.

No reprisals

At a Council session on September 20, Ministers agreed on the need to avoid a trade conflict with the US. Reports said they ruled out retaliatory moves, preferring to adopt a cautious, wait-and-see attitude.

Aldo Moro, Italy's Foreign Minister, who is current President of the Council of Ministers, said the Six were agreed that there should be no reprisals. Any measures to compensate EEC industries which suffered from the US action should be temporary and taken at Community, not national, level. Member states should reactivate the process of economic and monetary union. This would involve the Six returning to fixed parity relations among themselves, and narrowing their internal fluctuation margins while widening them against non-member countries. These are the key issues on which the Six are still striving to reach a compromise.

Effects assessed

Analyzing the effects on the Six of the US economic measures, the Commission reported last month that they would reduce the Community's overall annual trade balance by about $2,000m and cut back the annual growth rate of EEC exports from the current 8 per cent to 4-5 per cent. It noted that the US 10 per cent surcharge would affect 87 per cent of the Community's exports, and would wipe out most of the gains made in the Dillon and Kennedy rounds of tariff-cutting negotiations. Exports of capital goods would be particularly severely hit. The President's action would also affect the Community's associates in Africa.

According to US Treasury Secretary John Connally, the US wants to achieve a $13,000m swing in its balance-of-payments position within the next two years, from a projected current account deficit of $5,000m to a current surplus of $8,000m. America's major trade partners – the Community, the UK and Japan – argue that this target is too ambitious, and could have serious consequences for world liquidity, growth and employment. Ministers of the Six have affirmed strongly that they oppose anti-US policies. They wish to see Washington solve its chronic payments problem – the conflict is over means and tempo.

At the Council session of September 13 finance ministers of the Six agreed that the key problem was to reconstruct the international economic and monetary order on the basis of the institutions that have administered it so far (International Monetary Fund, and General Agreement on Tariffs and Trade), in such a way that the needs of developing countries would be considered. The Community had to take a common position in close cooperation with the four applicant countries.

Common position

Ministers agreed that a common position by the Community within the Group of Ten and the IMF should be based on these principles:

- Reform of the international monetary system should respect the principle of fixed parities; these should be adjusted when it became apparent that they were no longer realistic. Fixed parities were necessary for the orderly transaction and expansion of trade, in which the Community, as the most important trading unit, was particularly interested.
- Satisfactory international payments relations based upon such principles would be possible only if differentiated realignment was introduced in parity relations between currencies of industrialized countries. Such a realignment should include the currencies of all countries concerned, including the dollar. It should be implemented in such a way as to take into account fair distribution of adjustment burdens with regard to the economic situation and the foreseeable development of the countries concerned.
- The correct functioning of a reformed international monetary system would require measures affecting the international movement of capital. These measures could consist of a limited increase in exchange-rate fluctuation bands in order to compensate for the consequences of interest rate differences, and of steps to discourage short-term capital movements.
- International reserve assets should continue to depend upon gold, and to an increasing degree upon a collectively and internationally created and managed reserve system. This called for the adaptation and the development of the special drawing rights system and a gradual decrease in the importance of national currencies as reserve assets.
- The new international payments balance could be maintained only if all countries or associations of countries respected the obligations and constraints involved in the adjustment process of the balance-of-payments and if they implemented appropriate internal policies.
- Within the framework of the reformed international monetary system, the IMF's authority and range of action should be reinforced in all fields of competence. Community member states should seek to adopt common positions within the IMF.

Ministers noted that the functioning of exchange markets in the Community had so far not been seriously upset. But if the present monetary difficulties went on too long, they would endanger the proper functioning of the Community, in particular the common agricultural policy. The Monetary Committee and the Governors of Central Banks are seeking a solution to assure the stability of exchange rates among Community countries.

The US decision to impose a ten per cent surtax on imports and to grant tax advantages in favour of internal investment and exports prevented the formation of realistic exchange rates. They were also an obstacle to the readjustment of parities. Furthermore, they could provoke serious disturbances in international trade. The Council therefore requested that these measures be rescinded.

EIB concentrates on regional aid

The European Investment Bank in 1970 signed 54 loan and guarantee contracts worth $354·4 million, compared with 43 loan contracts worth $321·8m in 1969.

On average, the Bank's participation represented 23 per cent of the total costs of the projects.

The Bank's loans were concentrated on:

- helping the Community's backward regions (76 per cent of last year's operations);
- projects of interest to several member countries;
- providing infrastructures (e.g. roads and bridges) of importance to the Community as a whole;
- plans for modernizing and converting factories.

Since it was set up in 1958 until the end of 1970 the Bank signed 317 contracts worth $1,813m, of which the bulk has been invested in regional aid.

Yves le Portz, the EIB's Chairman, said in his annual review that the Bank should have priority over non-Community borrowers in raising money on member countries' national capital markets. This was necessary if the Bank was to fulfil the role assigned to it – particularly in contributing to balanced regional development by transferring capital from one area to another.

M. le Portz warned that the continued floating of some Community currencies could hinder the Bank's operations in two ways:

- it could become more difficult to borrow money at an acceptable cost;
- private and public undertakings would be far more reluctant to contract loans in currencies involving large exchange risks for them.

He noted that the decision in April 1971 to increase the Bank's subscribed capital, from one to 1½ billion dollars, would enable it to develop its activities after 1973. Without this tangible sign of interest shown by member states, the Bank's activities would have slowed down: its statutes lay down that total loans and guarantees must not exceed 2½ times its subscribed capital.

Sugar firm fined $4000

The Commission has for the first time fined a company, Belgium's leading sugar refiner Tirlemont, for providing inadequate information about its trading practices. The fine amounted to $4,000.

The Commission has been probing the apparent lack of competition in the Community's sugar industry, in which there is conspicuously little trade across Community frontiers.

Under the Community's rules of competition, the Commission is empowered to fine firms up to $5,000 for giving false or inadequate information.

Although Tirlemont is entitled to challenge the Commission's decision before the Community Court of Justice in Luxembourg, it has decided not to do so. The company says, however, that it remains convinced that the non-conservation of documents required by the Commission does not constitute negligence on its part..

The Commission has also been investigating the Community's beer industry; here, too, cross-frontier trade is small compared with total output.

Commission would double tax-free allowances

The Commission has proposed that member states double tax-free allowances for persons travelling from one Community state to another.

Community travellers are now allowed to bring through the customs $75 worth of tax-free goods in their baggage, under a Council directive of May 1969.

The Commission has also proposed:

- Allowances of 400 cigarettes, one kilogram of coffee, one bottle of spirits or three litres of aperitif wine, and four litres of wine. These products are subject to excise taxes.
- The elimination of all restrictions on the quantity of tax-free tea and perfume which individuals can take from one member state to another.

For the above-listed products, Community nationals would not have to fill out customs declarations. Persons living near borders and persons who cross borders to get to their jobs would be allowed respectively one-third and one-fifth the normal duty-free allowance.

The Commission's proposal would affect travellers crossing from one member state to another. People entering Common Market countries from outside the Community would continue to be limited to a $25 exemption.

Although member states have abolished customs duties on goods from partner states, they still levy excise duties and value-added tax.

Bonn's tougher anti-trust rules

The German cabinet is preparing new legislation to empower the Federal Cartel Office to prevent mergers between companies with joint annual sales of more than D-mark 1,000m (about £115m).

Proposed mergers between companies having each an annual turnover of more than DM 1,000m would have to be reported to the Office at once. Mergers where joint turnover exceeded DM 1,000m could go ahead without reference to the Office; but the authorities would have the right to call for the dissolution of the merger after the event. This provision should lead to all large-scale mergers being referred to the Office almost from the start.

A so-called tolerance clause would allow the Economics Ministry to approve even the largest mergers if it maintained that compelling overall economic advantages would result and/or that they were in the general interest. This clause could be invoked in the case of certain cross-frontier mergers in sectors where it was held that German companies were too small to compete internationally.

The draft allows extensive rights of appeal, both to the Economics Ministry and to the law courts. Under present cartel and merger legislation, the success of appeals in the courts has weakened the Cartel Office's authority.

The Cartel Office would receive new powers to investigate and penalize companies which held, or were acquiring, a dominant position in the market. That would mean in most cases possessing a share of 40 per cent or more of the German market; it would also include companies who were held to be keeping potential newcomers out of the market altogether.

There are provisions to act against any group of supposedly competing companies in the same field whose prices over a period of time seem to move in unison. This section is seen as a direct response to the case of the chemical companies who have been criticized for jointly fixing the price of aniline dyestuffs.

Berthoin takes office

Georges Berthoin took office on September 1 as the new Head of the Delegation of the Commission of the European Communities to the United Kingdom. His appointment was announced in May of this year.

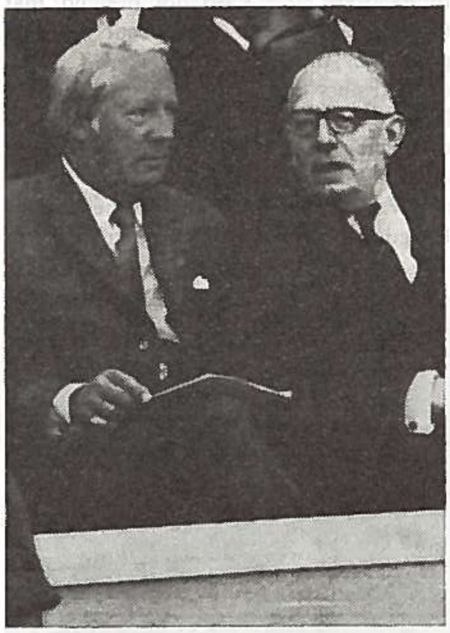
M. Berthoin, a former colleague of French Prime Minister Robert Schuman and former *chef de cabinet* of Jean Monnet, first President of the High Authority of the European Coal and Steel Community, succeeded Johannes Linthorst Homan, to whom he had been Deputy since 1968.

Heath favours summit

An enlarged Community should work out a common Western European policy and decide in common how to implement it, British Prime Minister Edward Heath said in Zurich in September. He was one of several European statesmen invited to Zurich to commemorate the 25th anniversary of Winston Churchill's famous "Let Europe Unite" speech in the city on September 19, 1946.

Mr Heath called for a common foreign policy, accompanied by greater cooperation in defence. The UK Premier backed French President Georges Pompidou's call for a European summit of the Ten. He also said that Community institutions should not develop according to a theoretical blueprint, but as a result of experience in working together, and in response to policy needs.

Other speakers included French Foreign Minister Maurice Schumann, and the German and Italian State Secretaries, Sigismund von Braun and Mario Pedini.



Mr Heath and M. Schumann

Liberals endorse entry terms

The Liberal Party assembly on Sept. 17 carried by a substantial majority a resolution endorsing Britain's entry to the Community on the terms negotiated.

The assembly, meeting in Scarborough, also carried a resolution urging the British Government to work within the Community to develop a common company law, monetary union and a common currency, a common foreign policy aimed at reconciliation with Eastern Europe, and a common policy for the conservation of natural resources.

TUC votes against entry

Britain's Trades Union Congress on September 8 voted against British entry into the Community and demanded a general election before any decision was taken.

The vote came at the annual conference in Blackpool of the TUC, whose member unions embrace about 10 million workers. Delegates approved by a show of hands a resolution rejecting entry on the terms obtained by the Conservative Government. The Congress turned down a resolution by the Clerical and Administrative Workers' Union urging Britain to join.

Labour opposes entry terms

The Labour Party's national executive committee in September issued a document stating its reasons for opposing EEC entry. It said it was "neither anti-Common Market nor, even less, anti-Europe."

In a 13,000-word background paper for delegates to this year's party conference in Brighton, the committee said that its decision to oppose entry into the EEC was based solely on its dissatisfaction with the terms negotiated and the Government's domestic policies.

The paper said: "We deplore the fact that two crucial aspects of European entry – value-added tax and the common agricultural policy – have been accepted without negotiation. We condemn the failure of the White Paper to project a cost of the terms to the British balance-of-payments. We demand further information on regional policy, VAT, capital movements, coal and steel, and private sterling balances."

Meanwhile, the Labour Committee for Europe said: "We accept that any member of the party may now say that he objects to membership of the EEC because of the agricultural policy and VAT.

"But to say that this was the view expressed by the Labour Government is to try to turn the pages back. Both these aspects of the Common Market were accepted as disadvantageous. Both were recognized as inevitable."

The Labour Committee for Europe said that the terms of entry, though negotiated by a Conservative Government, should not be branded as "Tory terms" to be automatically opposed by Labour Party members. These were terms that can honourably be supported by Socialists.

It said "there is no problem about fitting VAT into a total system of taxation and welfare benefits that would produce an overall Socialist result."

Real difficulties would face the country outside the EEC: "The impact on our exports of the American 10 per cent surcharge makes nonsense of any implication that if we stay out we can expect to continue to enjoy the security of our present world trading arrangements."

Membership now provided the best hope of reviving the economy: "What we want is the European rate of economic expansion, with added national income spent according to Labour's priorities. And there is no reason why we should not get it."

Malfatti's summit call

Commission President Franco Maria Malfatti last month proposed a summit meeting of the prime ministers of an enlarged, ten-nation Community.

The President sent a memorandum to the six member countries suggesting that their own prime ministers and those of Britain and the other three applicant countries should meet at the end of this year or early in 1972.

They should discuss ways of tightening political and economic links between themselves, and try to agree on joint fiscal and monetary policies.

44 per cent favour entry

More people in Britain favour the UK joining the Community than oppose the move, according to a public opinion poll carried out in September by Opinion Research Centre for the European Movement. It showed that 44 per cent were in favour of joining the Six and 41 against, with 14 per cent "don't knows". A sample of 1,072 people was questioned.

The previous ORC poll published (at the end of August) showed 47 per cent in favour of joining and 45 per cent against. A substantial majority of men were in favour of joining (54 per cent for, 41 per cent against) while more women were opposed to joining than in favour (41 per cent for, 48 per cent against). There were majorities in favour in all age-groups except the over-65s. Opposition to entry was strongest among the lowest income groups, and in Scotland and Wales.

Regional policy in enlarged EEC

A common regional policy was necessary to supplement national efforts, Commission member Albert Borschette told the annual congress of the Association of European Journalists at Bristol on September 17.

In an enlarged Community it was unlikely that a single regional policy could ever apply in all details to all regions, because each region often required special treatment.

"It is primarily for national governments to produce the ideas for dealing with them. It is no part of the Commission's task to seek to interfere with the efforts of national governments directed towards this end. But the Commission thinks that a common regional policy is necessary to supplement national efforts," M. Borschette said.

He added that the increased prosperity of the regions since 1958 could not be attributed only or mainly to Community regional policies, though they had undoubtedly helped. But a great deal was owed to the beneficial effects of the Common Market as a whole.

M. Borschette said: "Much remains to be done . . . I do not pretend that there is at present a coherent regional policy for the Community. The Council of Ministers has stated that there should be one. But its elaboration remains to be completed. We shall be able to benefit in this field from the experience of the applicant countries, and of the United Kingdom Government in particular."

Albert Borschette

Commission prizes for theses

The Commission has announced three prizes each worth £2,500 in the seventh Community contest for original research on European integration. Researchers aged 35 or less are invited to submit to the Commission by November 15 university theses which fall into one of three categories: law; economics; politics (including sociology and history).

The Commission is also granting ten scholarships, each worth £833 a year, to young academics who are studying some aspect of European integration. Applications, with curriculum vitae, must reach the Commission's Directorate-General for Press and Information by Nov. 15.

New building for Council

The Belgian Government is to construct a new building in Brussels for the Council of Ministers and its secretariat. It will be located next to the Berlaimont Building, which houses the Commission. The new building should be ready by 1973, and is planned for a ten-nation Community. The Council's present headquarters are in rue Ravenstein, in the city centre.

Rippon to handle entry legislation

Geoffrey Rippon, Britain's chief negotiator with the Community, in September took up the new post of coordinator of the parliamentary work involved in joining the Community. He will prepare and present the necessary legislation if the House of Commons approves the entry terms on Oct. 28.

New UK envoy to EEC

Michael Palliser has been appointed head of the UK Delegation to the Community, in succession to Sir James Marjoribanks, who has retired. Mr Palliser, who was formerly First Secretary at the British Embassy in Paris, would probably become the British Permanent Representative if Britain joined the Community.

Wage pacts survey

Backed by experts in member states, the Commission is preparing a survey of the possibilities of concluding collective bargaining agreements at Community level. The Commission has suggested to member states that a file of Community collective bargaining agreements be created.

The Commission also plans to conduct an inquiry into the structure of wages and salaries in all types of industry, including the power, building and civil engineering industries. One aim is to study the statistical relationship between a given wage and certain characteristics of the worker concerned, e.g. qualifications, age, and seniority in the company.

Malfatti visits Canada

Commission President Franco Maria Malfatti paid an official visit to Ottawa in September to discuss trade relations between Canada and the Community.

He conferred with Prime Minister Pierre Elliot Trudeau and other Canadian leaders, primarily on trade matters, particularly in the context of the anticipated expansion of the Community from six to ten countries. Canada, as a member of the Commonwealth, has sought assurances that its foreign trade would not be adversely affected by Britain's entry to the Community.

China: steps to common trade policy

The Commission has proposed that the Community start applying a common trade policy towards China and other Communist countries in Asia. Member states already implement common measures in their trade with the Soviet Union and Eastern Europe: "liberalization lists" have been prepared specifying which products from East Europe and the USSR are allowed to enter all six member states on a quota-free basis. Member states may not unilaterally reimpose quotas or other trade restrictions on these products.

As all member states have, acting separately, lifted restrictions on certain farm products and manufactures from state-trading countries in Asia, the Commission wants these to be "listed", so that a Community decision would be needed to remove a product from the list.

For China 385 tariff headings are involved, and for North Korea, North Vietnam and Mongolia 118 headings could be "listed".

At present the liberalization list for Eastern Europe (Poland, Czechoslovakia, Bulgaria, Hungary and Rumania) comprises 637 tariff headings; that for the Soviet Union 473; and that for Albania 472 headings.

The Community has also drawn up a list of quota-free imports from GATT members (i.e. free-market economies).

violated the Common Market's rules of competition. The agreement, part of which was contracted between the four steel-pipe producers and Belgian wholesalers, attempted to standardize products, organize their distribution on the Belgian market, and eliminate wild price changes.

The Commission particularly objected to clauses setting individual delivery quotas and prescribing uniform selling practices for the four companies involved. The Commission said that the Luxembourg producer would have failed to benefit from the agreement, and that the Belgian market would have been partially closed to producers from other member states.

Commission probing 7,300 agreements

The Commission had by December 31, 1970, exempted 20 agreements between firms (negative clearance) authorized nine, and prohibited five, two of which involved fines. Following action by the Commission, 36 agreements notified were abandoned, and 589 – largely exclusive-dealing agreements – were adapted to conform with the Rome Treaty rules of competition.

A total of 37,000 agreements were notified to the Commission. On January 1, 1971, the Commission was investigating 7,336 agreements, including about 3,350 on patent licence contracts, 2,530 on exclusive dealing not covered by the 1967 regulation on bloc exemptions, and 1,450 on horizontal agreements and other matters.

The Commission intends to intensify as far as possible its practice of making decisions on individual cases. These decisions set valuable examples and publicize the legal and economic criteria used by the Commission in determining which restrictions on competition are permissible. For instance, the Commission has already made clear its desire to eliminate distortions of competition which are liable to undermine the Common Market and lead to unjustifiable differences in prices of the same products.

The Commission also intends to act on certain restrictive clauses appearing in notified patent licence contracts, know-how concessions and brand licences. The Commission considers mergers as abusive if they eliminate competition in a substantial part of the Common Market.

The Commission stated in its 1966 memorandum on mergers that Article 86 of the Rome Treaty might then apply. This interpretation has now been translated into action for the first time in the form of a complaint to a company in a dominant position in the packaging sector which has acquired control of a major competitor.

In addition to investigating cases and preparing decisions, the Commission continuously watches companies and markets. Firms are increasingly resorting to concerted practices in order to regulate their marketing procedures, as is shown by the dyestuffs agreement, which led the Commission to impose a ban and fines in July 1969. Other new cases are under investigation. The Commission has increasing difficulty in providing evidence and must exercise greater vigilance.

The Commission is following closely the development of industrial mergers in the Common Market, and has recently undertaken a vast research programme based on a uniform method of enquiry covering the member states. Several sectors having an oligopolistic structure and others in which there is an increased tendency towards industrial combination are under systematic observation.

The Commission is also taking action to protect consumers in fields such as hire purchase, sales with free gifts, misleading advertisements and the labelling and packaging of foodstuffs. The Commission plans to step up its work in the field of consumer information.

Move to curb road accidents

The Commission is drawing up proposals to improve road safety in the Community. In 1969 road accidents caused 45,426 deaths, and 1,185,931 injuries.

Member states will be asked to:

- tighten up conditions for granting driving licences, and introduce recognition of each others' driving licences;
- enforce stricter checks on drunkenness;
- apply the same rules for compulsory technical inspection of vehicles.

Free movement plan for hairdressers

The Commission has proposed the elimination of most restrictions on the movement of Community hairdressers from one member country to another. As an example, a Brussels hair stylist could transfer his business to Paris with a minimum of red tape.

Member states would have to recognize each other's hairdressers examinations and licences as valid within their own territory.

The only exception, according to the Commission proposal, would be in Italy, where hairdressers are not required to take an examination. An Italian wishing to practise in another member country would be required to pass that country's examination.

The Community has already taken similar steps in other professions and services, such as cinematography and agriculture, to provide the right of establishment in all member countries.

Budget guidelines drawn up

To guide member states in coordinating their national economic and budgetary policies, the Commission has drawn up its first annual report on the Community's short-term economic situation.

Preparation of such a report was called for in the Council's February 1971 resolution on the first steps to economic and monetary union. The report repeats earlier calls for a brake on increases in public expenditure, and for tighter controls on price increases.

After examination, possible amendment, and approval by the European Parliament and the Council of Ministers, the report will be sent to economic officials in the six capitals to help them to draw up budgetary proposals which conform to the Community guidelines and which are compatible with each other.

CBI 'poll' on entry

British industry is preparing itself for entry and for the dynamic effects it expects entry to have on the UK economy.

This is the view of the Director-General of the Confederation of British Industry, Campbell Adamson, following a CBI "consultation" of its members on British membership. Invited to send the CBI their views in writing, 975 company heads were for, and 55 were against, entry.

Commission bans accord on sales of steel pipes

The Commission has banned a sales agreement between four producers of steel pipes – one in Luxembourg and three in Belgium.

The Commission said the agreement

European patent

The Community's publications office in Luxembourg has published two volumes on the intergovernmental conference working on a European patents office. The works, in English, German and French editions, contain the second draft agreement for a European patents system and reports of the conference's work.

Farms getting bigger

About 57 per cent of Community farm output is in animal products and 42 per cent in grains and other vegetable products, according to the Commission's 1970 report on agriculture. Between countries, the proportions vary widely, from the strong emphasis on livestock in Germany (74 per cent of the country's farm production) to the predominantly crop production of Italy (66·4 per cent vegetable).

The production in individual countries varies as follows:

	Livestock	Crops
	% of farm output	
Germany	24·4	74·1
France	38·6	59·6
Italy	66·4	32·8
Netherlands	34·8	65·2
Belgium	32·9	67·1
Luxembourg	11·4	88·2
EEC	42·0	56·9

Assessing output by value, France accounts for 36 per cent of total Community farm production, at £4,861m; Italy is next, supplying 26·5 per cent of Community output to a value of £3,571m; Germany supplies 24·4 per cent, worth £3,300m; the Netherlands 8·2 per cent, worth £1,102m; Belgium 4·6 per cent, worth £630m; and Luxembourg 0·2 per cent, valued at £22m. Total Community output is £13,740m. This compares with a British figure of just over £2,000m.

Between 1963 and 1968 the growth in production varied between 3·8 per cent and 4·8 per cent a year; this exceeded growth in demand for agricultural products, which is estimated at less than 2·5 per cent a year. This increase in production was mainly in the livestock sector, except in France and the Netherlands.

Oilseeds and poultry were the biggest growth commodities, but output also increased of products which are in surplus, such as wheat (up 2·3 per cent a year), sugar beet (up 3·4 per cent) and milk (up 2·7 per cent).

Since 1965, land use has changed only slightly, the total agricultural area having gone down by about 1·33 per cent between 1965 and 1968. Cultivable land accounted for 55·47 per cent of the area, and pasture 38 per cent. Of the total agricultural land in the Community, 47 per cent is in France, 19·4 per cent in Germany, 27·7 per cent in Italy, 3·2 per cent in the Netherlands, and 2·3 per cent in Belgium. The total farming area is 174m acres.

Farm-size has been increasing throughout the Community, with smaller holdings going out of business, but not at the speed that many would like to see. A quarter of the farmland in Germany is still in holdings of 25 acres or less, while only 11 per cent of the land is in farms of more than 125 acres. In France just over 11 per cent of the agricultural land is in farms of under 25 acres (compared with 13·6 per cent in 1963), but nearly one-third of the land (31·6 per cent) is in holdings of 125 acres or more.

In Italy the under 25-acre category accounts for 41 per cent of the farming area and 88 per cent of the total number of farms, yet 18·8 per cent of the land is farmed in units of over 250 acres. In Belgium the farm-size is generally more economic, with 25 to 125-acre units accounting for 63 per cent of the farmland.

The basis of calculation in the Netherlands is labour units; 19 per cent of the holdings are in the 0·25-0·75 labour units classification, 15 per cent in the 0·75-1·25 class, 15 per cent in the 1·25-1·75 class, 15 per cent in the 1·75-2·25 class, and 36 per cent justifying more than 2·25 labour units.

Yields have improved: between 1963 and 1968 there was an annual average improvement of 7·2 per cent for maize yields, 6·1 per cent for hard wheat, 4·1 per cent for oats, 4 per cent for soft wheat and potatoes, and 3·4 per cent for sugar beet. Milk yields have been going up by 2·3 per cent annually. The most marked improvements for almost all commodities have been in France.

Livestock represents 42 per cent of the EEC's farm output

Slaughter premium paid on 235,000 cows

Slaughter premiums have been paid on 235,000 cows since the plan to cut Community milk production went into effect in 1969.

Farmers received $200 for each cow slaughtered. In addition, farmers are paid $200 for each cow whose milk does not reach the market.

German and French farmers have benefited most from the premium regulations. In Italy, arrangements have yet to be made to pay premiums to applicants.

Harmonized standards for cars

The Council has adopted harmonized specifications on motor car brakes, textile labels and measuring instruments.

The Council's action, in the form of nine directives, is part of a general programme to eliminate technical obstacles to trade in industrial goods within the Common Market.

Under the directive on car brakes, all new vehicles sold in the Community after October 1, 1974, must be equipped with dual brakes. Trucks and trailers will have to pass additional acceptance tests, including performance on steep slopes. With dual brakes, if the front or rear brakes fail, the other set will work, thus

helping to reduce the most common cause of accidents resulting from technical failure. This is the first such safety regulation to become law on a multinational scale.

Another directive prescribes identical labelling procedures for most textile products marketed in the Community. It applies to natural fibres such as wool, silk and linen, and to artificial fibres, which are becoming increasingly important in the textile industry. Only products in small demand (tea cosies and artificial flowers, for example) are excluded from the labelling requirements, which become effective on February 16, 1973.

As a result of this directive, consumers will have a better idea of what they are buying.

Seven directives were passed on measuring instruments. One directive creates Community inspection procedures. Another dealing with units of measurement will result in the use of the International Units System throughout the Community.

The other five directives deal with:

- weights used with scales in any type of store;
- domestic and industrial gas meters;
- measures for all liquids except water;
- ship tank gauges;
- bulk measuring of grain, in hectolitres (which will enable uniform application of the common agricultural regulations).

Common VAT rate studied

A harmonized value-added tax rate of 15 per cent, with a reduced rate of 7·5 per cent for food and other necessities, would produce sharply lower revenue in France, slightly lower revenue in Belgium, and higher revenue in the other four members, compared with the current proceeds of turnover taxes. This is the conclusion of a study made for the Commission by Europa-Institut of the University of Utrecht.

In France, where the normal VAT rate is 23 per cent and which derives 35 per cent of her total tax receipts from VAT, the adoption of this common Community rate would oblige the Government to increase its revenue from other sources. The most obvious source appears to be death duties, which are lower in France than in any other member country except Italy.

If the French Government adopted this course, the increase in consumption which could be expected from the reduction of the VAT rate could be further augmented because higher death duties would tend to curb savings and investment.

Belgium would be confronted by only a slight disruption of her fiscal policy, because the current level of her turnover tax would be close to that of the projected common VAT. The slight reduction she would face in consumption tax revenue could easily be compensated for by a slight increase in her relatively low income tax, the study says.

Historically, Italy has relied more heavily than any other member state on revenue from her extremely complex system of consumption taxes. Most of these are special rather than general turnover taxes, and the introduction of the common VAT should increase the revenue from turnover taxes and contribute to the replacement of the current multitude of special taxes.

Germany, the Netherlands and Luxembourg would have to make adjustments to compensate for significantly increased revenue from VAT.

In Germany, where consumption taxes provide a considerable part of the revenue of local governments, the common VAT could encourage the Federal Government to reduce the level of corporation tax, which is currently about the highest within the Six. The Netherlands and Luxembourg, however, would be more likely to compensate for the increased revenue by lowering the comparatively high rate of income taxes.

Standard truck weights sought

The Commission has called for standard weights and dimensions for trucks. In a draft directive it proposes 11·5 metric tons as the maximum weight per axle. This weight is low enough to allow road transport of containerized freight and the use of plain trucks with trailers.

This proposal is the fourth attempt at setting a standard truck weight. The last proposal, submitted in 1964, resulted in a two-way split of the member states. Italy, the Netherlands and Germany opted for a 10-ton standard, while France, Belgium and Luxembourg chose 13 tons.

Road transporters and truck manufacturers have been urging standardization of truck weights and sizes. Improved understanding of the relation between axle weight and damage to roadbeds, and the rising use of containerized freight, have prompted Italy and Belgium to press for a compromise.

Bid to limit pollution by detergents

In an effort to coordinate member states' programmes to combat water pollution, the Commission has proposed a directive that would set Community-wide standards of biodegradability of laundry detergents. Biodegradability is the decomposition process of one chemical into a stable substance. Once decomposed, it ceases to affect the environment.

Non-biodegradable detergents can do great ecological harm to aquatic plants and animals. They raise the toxic level of other agents already present in the water and cause a dangerously accelerated growth of algae, which interferes with oxygen exchange.

The Commission's directive would ensure a level of biodegradability of at least 80 per cent for four types of detergents. Germany, France, and Italy have already passed national legislation establishing standards and methods of biodegradability.

Commission allocates $10m for housing

The Commission has allocated the first instalment – $10 million – from the funds of the seventh programme for coal and steel workers' housing. A total of $20 million is available.

The first instalment, of which $8·4m is for the building of houses, and $1·6m to help finance an experimental programme to modernize existing housing, covers the years 1971-73. Under the programme, experts will seek new and industrialized processes for improving productivity and reducing the time taken to modernize houses. There are about 750,000 dwellings in the Community in need of modernization.

Under the first six ECSC building programmes, the Community helped to finance the building of 113,010 units, of which 106,267 had been completed by December 31, 1970. The total cost was $1,141m, of which $94·59m came from Commission funds and $44·71m from funds borrowed by the Commission.

proposals for cinema, tax experts

The Commission has submitted four draft directives which would institute freedom of establishment for film-makers and tax agents in Community countries.

Of the two proposals affecting the cinema industry, one would oblige member states to set up public registers to protect producers of feature-length films from unauthorized screenings. By registering in one member state, producers would be protected in every other member state, according to the applicable laws. Until national laws have been harmonized, however, protection would not be identical.

The second proposal would give any Community national free access to non-salaried jobs in film distribution in any of the six member countries. In addition, the proposal enumerates national restrictions that must be removed, such as exclusion, because of nationality, from membership in professional organizations, or non-recognition of professional credentials issued by another member country. Restrictions such as these would prevent a foreign national from fulfilling the host country's legal requirements for admission to its movie-making profession.

The Commission's third proposal would allow any Community national to offer his services in non-salaried activities connected with tax consultation, preparation of tax declarations, and assistance to taxpayers dealing with tax authorities.

The fourth proposal tackles the problem of certification of tax consultants by trying to bridge the gap between Germany's complex provisions and the almost total absence of provisions in other member states. Since the problem boils down to training requirements for tax consultants, the proposal enumerates the degrees or titles granted by each member country that the other states would accept as proof of a foreign national's competence in this field. In addition to the title or degree, the tax consultant would also need an official certificate showing that he had practised in his home country.

Common hire-purchase rules sought

The Commission is preparing proposals to harmonize hire-purchase legislation in the Six. It has initiated discussions among governmental experts from the Six to study possibilities for a Community regulation on the sale and financing of goods bought on hire-purchase.

The regulation would seek to protect consumers, and to eliminate distortions which could arise from national differences in consumer credit.

Improved benefits urged for migrants

The Commission has called for improved social security measures for workers and their families who leave one Community country to work in another.

Many of the changes proposed by the Commission involve clarification and simplification of terms in the existing 1958 directive. These revisions include the provisions on:

- unemployment and health insurance benefits to migrant workers;
- means of paying pensions;
- interim pensions benefits to migrant workers while processing their applications;
- measures to speed up pension settlements;
- means of calculating all eligible periods of employment in every Community country where the worker has held a job;
- procedures permitting international transport workers to receive health and accident insurance benefits upon confirmation from employers.

Textiles: Commission would end import quotas

The Commission has proposed that the Community establish a pattern of tariff preferences in the textile field over the next five years. At the same time it would gradually abandon import quantity restrictions, though not at the expense of trading partners of existing trade agreements.

The Commission wants to eliminate protectionism in the Community textile market, but on condition that foreign suppliers observe Community regulations which enable producers in member states to compete with them.

The Commission calls for restructuring the industry by providing Community financial help where needed, and phasing out textile production in regions where it is superfluous and the manpower could be put to better use. Approximately 30,000 to 40,000 workers leave the textile industry annually and the Commission recommends that the Social Fund provide money for retraining these individuals.

The Commission also suggests the creation of a joint economic centre to check the condition of the textile industry and recommend ways of best using its resources.

The textile industry in the Six during 1969 produced $13,400m worth of goods (9 per cent of industrial production), employed 3,160,000 persons (11·8 per cent of those employed) and exported goods worth $2.97m (7·5 per cent of total Community exports).

Asian handicrafts proposal

The Commission has proposed to the Council of Ministers that five other Asian countries should join India and Pakistan in benefiting from duty-free quotas for handicrafts. They are the Philippines, Thailand, Indonesia, Iran and Ceylon. This quota was decided on in the context of the Kennedy Round, and may amount to $5 million (with a ceiling of $500,000 for each tariff heading or sub-heading).

The quota was opened for India in 1969 and for Pakistan in 1970. The possibility of extending its benefits to other developing Asian countries was foreseen from the start, subject to the conclusion of the necessary agreements with the countries concerned. In January and February 1971, the Commission successfully conducted negotiations to this effect with the five countries.

UK regions would prosper — Rippon

Geoffrey Rippon, Minister in charge of European Affairs, last month said in Gateshead that Britain's development areas would be more prosperous if Britain joined the EEC than if she stayed out.

The Community recognized that its economic well-being depended on the levelling-up of all its regions, he said. Although there was no common regional policy yet, Britain, with her long experience in regional policy matters, would be able to influence the way such a common policy developed.

Mr Rippon said that "the best answer to the problems of the regions is a buoyant national economy" and joining the Community would be the surest way of increasing Britain's national prosperity.

European Community free publications. Order form page 21